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# ***JPRS Report***

## **East Asia**

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***Southeast Asia***

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# East Asia

## Southeast Asia

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**Columnist on Koh Kong Conditions, Exchange Rates**

92SE0167A Bangkok THAI RAT in Thai 13 Jan 92 p 5

[Column by "Lom Plian Thit" ("The Wind Changes Direction")]

[Excerpt] I have received a book titled *Koh Kong, the Historic Land*, from Mr. Phong Santawa, and a list of Thai-Cambodian vocabulary.

It is the first book published in Thai about the life of Cambodians. I considered this little book so full of interesting information that I would like to take the liberty of relating certain parts of the book to you for educational purposes.

The daily life of a Khmer or a Cambodian has undergone significant changes after the revolution of "sontephiep" or peace.

The nightlife of people in Cambodia is a lighted-up night when evening falls. There are theaters where a person pays 250 riel or five Thai baht to be entertained by video movies.

Koh Kong, previously known as Khemarak Phouminville Province during the Sihanouk era, consists of seven districts with almost all Thai-sounding names. They are Sao Thong, which is a city district, Pak-klong or Ban Dolsima, Koh Kapi, Koh Chao, Phlisako or Dong Tuk, Naklia, and Piphat.

It is not difficult to get to Koh Kong because we have two ferries, one at Haad San Chao, and the other at Haad Lek village. From there one can take a boat ride from Thailand to Koh Kong. The regular fare is 100 baht a person one way, or 600 baht a trip to charter a boat. The trip takes about 30 minutes.

The value of Thai baht is vastly different from a Cambodian "riel." One baht is equal to 40 riel. This amount can buy only four pieces of candy at 10 riel apiece.

The exchange rate is 25 Thai baht for 1,000 riel. However, one must bear in mind the difference in value between Thai baht and U.S. dollars.

Cambodians prefer the green dollars.

It is approximately one U.S. dollar to 25 baht, and to 1,200 riel. Dividing 1,200 by 40, one gets 30.

This means that one dollar is equal to 30 baht in Cambodia.

Therefore, those who carry Thai baht into Cambodia lose out in a big way to those carrying U.S. dollars, according to the exchange rate.

You can even get a bigger bargain by paying for transportation in U.S. dollars rather than in Thai baht.

For instance, a regular helicopter fare from Sao Thong District, Koh Kong to Phnom Penh, is 62 U.S. dollars, about 1,612 baht. Paying in Thai baht will cost 2,000 baht or 77 U.S. dollars. This is instantly 15 dollars or 390 baht more expensive. Therefore, those who plan to visit Cambodia at present, either for business or pleasure, will be better off carrying U.S. dollars.

Business days in Cambodia are slightly different from those in Thailand. There are six official workdays, Monday to Saturday. Office hours are 0700 to 1100 in one session and 1400 to 1700 in the other, with a three-hour lunch break. This shows that Cambodians get up early but take a midday nap.

For accommodation in Phnom Penh, Mr. Phong Santawa pointed out that a Thai has rented the "Red Mansion", an old resort building during the Sihanouk era, and converted it into a two-hundred baht per night per room facility. It seems to be fully occupied.

Moreover, I heard that a business-minded Thai has converted an old car-carrier ferry into a "Floating Motel." Floating in the lake in Phnom Penh, it is solidly booked and very popular among foreigners. [passage omitted]

## POLITICAL

### President Stresses Integrity, Economy Measures, Exports

92SE0135B Jakarta *KOMPAS* in Indonesian 31 Dec 91 pp 1, 14

[Text] Jakarta (KOMPAS)—The president asks the special attention of ministers and heads of nondepartmental government agencies to the intensification of oversight in their respective spheres. Ministers are asked to take firm, speedy action when there are indications of deviation, leaks, and waste. The chief of state again requests that budgeted funds be used economically and responsibly.

The president's statements were presented in a plenary cabinet meeting at the main building of the State Secretariat in Jakarta on Monday [30 December].

After the meeting, which lasted more than three hours, Minister of Information Harmoko explained to reporters that the president instructed that there be an intensification of functional oversight like that conducted by the BPKP (Finance and Development Oversight Board) and the inspector general and his office. Follow-up actions also need to be stepped up. Managers need to maintain oversight of their subordinates' work.

Functional and close supervision needs to increased, particularly over development projects and in sectors directly involved in serving the public, such as the handling of business licenses, land, building, tenders, and similar matters.

### Economy Measures

The president repeated his statement that funds for travel and purchases of goods are to be used only for truly pressing matters. Overseas travel, project inaugurations, working meetings, official meetings, and similar things are to be limited to things that are absolutely necessary.

"The policies presented by the president were a repetition, for there are still people who have not heeded them. The president asked serious attention on the part ministers and agency chiefs, because there are many economy measures that can be taken," Harmoko said.

The minister of information said the president yet again reminded departments and agencies not to finance development projects or any other activities with funds from state corporations or other business groups in their spheres.

The meeting, which was attended by the vice president and by Chief of Financial Oversight Board (BEPEKA) M. Jusuf, discussed issues related to the RAPBN (Draft National Budget) for 1992-1993. There was special discussion of Indonesian development as the fourth year of REPELITA V [Fifth Five-Year Development Plan] approaches. President Suharto gave special instructions about the RAPBN for 1992-1993.

### Disturbing

According to Harmoko, the president explained that there were both encouraging and disturbing things in both

national and international spheres in 1991. These developments will affect the rate of Indonesian development in 1992-1993.

He said that in dealing with these things everyone must try as hard as possible to take advantage of positive developments for the sake of national progress. On the other hand, everyone must see to it that negative effects are avoided or kept to a minimum. "The president gave these instructions in response to his evaluation of current conditions," Minister Harmoko said.

Because of these conditions, the president expressed his desire that government officials improve their dedication as servants of the state and the public. They must also demonstrate exemplary conduct as protectors and servants so that they will produce respect and recognition of authority on the part of the community.

### Draft Budget

The president will present the full 1992-1993 RAPBN to a plenary session of the DPR [Parliament] on 6 January 1992. The president emphasized that this RAPBN was drawn up to meet all national targets, which are based on the Development Trilogy, and to serve as a basic reference in deciding and proceeding with various operational policy actions.

Referring to routine expenditures, the president stressed that priority must be given to the procurement of domestically produced goods and services, especially from businesses run by people of low economic strength. "This policy must be implemented consistently and seriously," said Harmoko, quoting the president.

In this framework, coordination must be further increased to achieve the greatest possible results from available funds. This relates to everything involved in the development sectors themselves.

Particularly related to development activities in East Timor Province, the president empowered the coordinating minister for economics, finance, industry, and development supervision and the minister of state for national development planning/chairman of BAPPENAS [National Development Planning Board] to coordinate everything for the sake of achieving optimum results.

The president also instructed that programs be controlled firmly with a budgetary discipline that will increase the effectiveness and efficiency of development. "Funds provided in the budget must be used in the best possible ways and in ways that can be accounted for," the chief of state declared.

He instructed that nonoil exports be given serious attention and be promoted and expanded. He asked that all agencies in the capital and in the provinces give full assistance to the expediting of export activities. He said the central and regional governments should play an active role in encouraging the people to boost exports. The agencies involved must coordinate and intensify provision of information on domestic investment potential and foreign markets.

The meeting also heard a report on the Indonesian monetary situation as it relates to inflation. Inflation was 9.52 percent in 1991, which was lower than the 1990 inflation rate of 9.53 percent. Inflation was 0.19 percent in December 1991 and 1.06 percent in November. The minister of information said this means that efforts to control inflation in 1991 have been successful.

#### Army Staff Chief Urges Everyone To Vote

92SE0135A Jakarta KOMPAS in Indonesian 26 Dec 91  
pp 1, 14

[Text] Jakarta (KOMPAS)—Army Chief of Staff (KSAD) General Edi Sudradjat says that since the general election is an expression of the people's sovereignty under Pancasila [the five principles of the Indonesian state] democracy, the election requires the participation and constitutional awareness of all the people. Therefore, effort should be made to see that all the people participate in the 1992 general election.

The KSAD said this on Tuesday [24 December] in a written message read by Major General K. Harseno, commander of KODAM JAYA [Metropolitan Jakarta Military Region Command], at KODAM JAYA Headquarters in Jakarta at a ceremony commemorating the 42d anniversary of KODAM JAYA. Those present at the ceremony included former Minister of Home Affairs Amirmachmud and Jakarta Governor Wiyogo Atmodarminto.

The anniversary celebration was enlivened by massive dances and traditional drums and by a low-cost bazaar, which was welcomed by thousands of local residents. In a commemoration program in the Sudirman Auditorium, Harseno also presented several trophies and awards, including awards to small, happy families. One of the small families was that of Colonel (Infantry) Agum Gumelar, assistant for intelligence at KODAM JAYA.

Edi Sudradjat said we must realize that if the public's commitment to the country's constitution is weak, problems and deviations in the nation's development may occur. These, in turn, may give opportunity to groups opposed to Pancasila and the 1945 Constitution to express their political ambitions.

"Therefore, I want to remind you of several important matters. One of these is the need for serious and constant effort to anticipate early on any developments in the community and to take firm action in watching out for extremists who want to change the Pancasila democracy system or for attempts to promote the 'white group' [election boycotters]. We must also be alert to efforts to capitalize on situations and to stir up unrest during election campaigns and vote counting, while the MPR Working Board meets, or on other occasions," the KSAD said.

The KSAD welcomed the theme of the 42d anniversary celebration: "In a spirit of unity between ABRI [Indonesian Armed Forces] and the people, KODAM JAYA is prepared to secure and protect the capital of Indonesia in order to make a success of the 1992 election and the 1993 MPR [People's Consultative Council] General Assembly."

#### Not Tolerated

He said the election is a constitutional mandate and a vehicle for expanding and developing Pancasila democracy. Therefore, awareness and a sense of responsibility on the part of each citizen are greatly needed for understanding and implementing the election and for the sake of life as a nation and state.

In life under Pancasila democracy, he said, absorbing, accommodating, and channeling the community's aspirations are important parts of the dynamics and process of national life. The process of accommodating and channeling these aspirations needs to be safeguarded as long as the aspirations are within the bounds of Pancasila and the 1945 Constitution.

"As a component of ABRI, the Army naturally will not tolerate a single thing that is contrary to, or intentionally in opposition to, Pancasila or the 1945 Constitution," the KSAD declared.

In this connection, he called on every soldier in KODAM JAYA and on the entire community to work hard to safeguard the 1992 election and the 1993 MPR General Assembly and to make them a success.

#### Mask of Human Rights

Edi Sudradjat views security and political stability in the capital as good and under control. He hopes these conditions will be maintained as the 1992 general election approaches.

He said KODAM JAYA must prevent any interference with security since such interferences could have extensive effect on other parts of Indonesia.

He looks on several recent incidents as indications of rising dynamics in the life of the community on the one hand, but as embodying elements of danger on the other hand. He did not explain what he meant by recent incidents.

"We must be alert to everything so that dangerous situations will not be exploited by groups that are irresponsible or that intentionally seek to undermine the authority of the government through various claims of democracy or use of a mask of human rights," Edi Sudradjat said.

Edi also told KODAM JAYA to build a generation of young people with understanding of the country and willingness to defend it. "The various heavy duties that KODAM JAYA must bear cannot be separated from creative and consistent efforts toward building up the younger generation. In the short term, the young will be the largest voting group in the 1992 election, and in the long term they will control the life and perpetuity of the nation and the achievement of national aspirations and objectives," he said.

#### Aceh Religious Leaders Want Suharto Reelection

92SE0135D Jakarta KOMPAS in Indonesian 27 Dec 92  
p 13

[Text] Lhokseumawe (KOMPAS)—A group of 250 Islamic scholars, traditional leaders, and other community leaders associated with the Indonesian Muslim Scholars Council

(MUI), the Religious Property Council (BHA), the Indonesian Council of Mosques (DMI), and the Aceh Tradition and Culture Organization (LAKA) issued 26 recommendations in an integrated working meeting in Lhokseumawe, Aceh, on Tuesday [24 December]. Besides making recommendations related generally to the orientation of their work programs, they also expressed support for President Suharto's statement rejecting foreign aid when it is linked to political security developments within Indonesia. They also asked that Suharto be willing to serve again as president of the Republic of Indonesia.

Aceh MUI Chairman Prof. A. Hasjmy said in his closing sermon following the reading of the recommendations that these recommendations are not merely an imitation of other people. He was referring to the fact that a number of Islamic scholars in Java had earlier done the same thing. These recommendations have a strong basis, he said. Whether the MPR [People's Consultative Council] renominates Suharto or whether Suharto is willing to serve are questions for later. Nevertheless, he said he would submit the matter to President Suharto.

The request that Suharto accept renomination is related to the fact that the Conference of Nonaligned Countries is to be held in Indonesia in 1992.

They feel that holding the conference is something that Indonesia has long desired. The success in bringing it to Indonesia is because of President Sukarno's diplomatic efforts. Indonesia will play a bigger role in the conference as its host, since it will be the chairman and leader of the nonaligned countries for the next five years.

To avoid failure in leading the nonaligned countries and for the sake of the dignity and prestige of the Indonesian people, they hope for an extension of President Suharto's leadership. His leadership still needs to be retained.

Therefore, the integrated working meeting through the chairman of the Aceh MUI "asks Bapak [Father] Haji Muhammad Suharto to accept the nomination to the Indonesian presidency after the 1992 general election and not reject it so that he can continue to lead the Indonesian people and serve as chairman of the nonaligned nations for the next five-year term."

Aceh MUI Chairman A. Hasjmy said that the president's statement on linking foreign aid to domestic political developments should definitely be supported. With great understanding, Pak Harto [President Suharto] commented on this matter wisely and appropriately.

**Rudini Urges No Discussion Until October**  
*92SE0135C Jakarta KOMPAS in Indonesian 28 Dec 91 pp 1, 11*

[Text] Jakarta (KOMPAS)—Minister of Home Affairs/Domestic Political Supervisor Rudini urges that talk about the presidential candidate be delayed until the DPR [Parliament] and the MPR [People's Consultative Council] are convened on 1 October 1992. Besides being too early to

discuss the matter now, such talk is also not in accordance with the law providing that only the MPR discusses presidential candidates.

At a year-end press conference at the Department of Home Affairs in Jakarta on Friday [27 December], the minister also said, "I hope that in 1992 each sociopolitical and mass organization will demonstrate responsibility, political awareness, and maturity and will conduct its activities before the 1992 election without violating regulations and the Constitution."

The minister of home affairs also hopes that as 1 October 1992 approaches the sociopolitical organizations will give good guidance and information to the people, particularly in the villages, in order to improve their political awareness.

"Therefore, we should call on the people first to discuss what programs need to be considered, discussed, and proposed by the MPR as it draws up plans for the next five years and for the second long-term development plan. Only after the DPR and MPR convene will the people be invited to discuss who is capable of leading the implementation of these programs. Thus, there is no need for early commotion over who the presidential candidate will be. Just wait, for the ones with the right to decide the matter have not been appointed. The people should not focus their thinking on the matter now, lest they become confused," he said.

Meanwhile in Aceh, 250 Islamic scholars, traditional leaders, and other community leaders associated with the MUI [Indonesian Muslim Scholars Council], the Religious Property Council, the Indonesian Council of Mosques, and the Aceh Tradition and Culture Organization issued 26 recommendations in an integrated working meeting in Lhokseumawe on Tuesday [24 December]. One of the recommendations was that President Suharto accept reelection.

With regard to the recommendation, the home minister said that members of the public are not prohibited from proposing such things. "People may refrain from heeding my appeal if they wish. That is democracy, but as domestic political supervisor I say it is better to wait," the home minister added.

What if there are still people who talk about it? The home minister said it is not a problem, for it shows that public political awareness is improving. "That not every appeal is accepted as an order shows that they understand their rights. My view on the subject should not be seen as a directive," he said.

#### Demonstrations Increase

When asked for his comment on the opinion that demonstrations will increase in 1992, the home minister said he would like to evaluate the issue from the aspect of the political education of the people. "If we are able to train the people so that they are aware of their rights and obligations, demonstrations will not emerge every time there is a problem," he said.

The case of the "anglingdarma" [operators of informal public transport] is an example. The people, Rudini said, understand their right to seek a living, but they do not

understand their obligation to comply with regulations and laws, such as those on the condition of public transportation vehicles.

"Therefore, I feel that businesses that build and sell such vehicles should be prosecuted, because they know that the vehicles are not safe. When government authorities conduct enforcement, however, members of the community are the ones who suffer," he said.

On the other hand, authorities who deal with "angling-darma" forget their obligations as they enforce regulations and forget the rights of citizens to seek a living. "We cannot go into houses and take people's property. Where is there an order to do that? What law is such action based on? Authorities may stop the vehicles on the street and ask for a driver's license or vehicle registration. If the driver does not have them, arrest him. That is no problem. If the driver has them at home and wants to hurry to get them, that is all right," Rudini said, smiling.

Thus, if everyone knows the rules, there will be no demonstrations. This can be accomplished by communication between authorities and the public. In that way, all problems can be dealt with and solutions found.

The same is true of land issues. People often demand their right to compensation but forget their obligation to submit to regulations on land matters. There are regulations on state-owned land, private land, HGU [business use rights], and HGB [rights to build]. "The people do not understand those things, however. The authorities should explain. People should not be treated roughly but should be encouraged to talk," he said.

The home minister also explained several other issues, including security approaches; the "A, B, and G" tracks in GOLKAR [Functional Group]; and discipline for government officials, the APDN [Domestic Government Academy], subdistrict chiefs, and village heads.

#### More Intensive

In line with the home minister's request, KNPI [Indonesian National Youth Committee] General Chairman Tjahjo Kumulo, SH [Master of Laws], asked that the OPP's [election participant organizations] give priority in their programs to the development of political participation and maturity among the people. "Such efforts must have higher priority than winning the election," Tjahjo said Friday at the KNPI DPP [Central Executive Council] Building in Jakarta as he presented the views of the KNPI DPP to mark the end of the year.

He said that through political education the political participation and the voting of the people will be able to proceed in a way that is mature, objective, and rational. This is needed for enhancing the growth of Pancasila democracy. The ability of the people to express their aspirations and interests, and opportunity for them to do so, must be expanded.

In its year-end reflections, the KNPI DPP also called on government officials to have the same vision for facing social problems. "This is necessary in order to avoid

confusing interpretations among the people. We are confused by officials who give the impression that they express opinion merely for the sake of doing so," Tjahjo said. Furthermore, the KNPI feels that polemics among the political elite often exceed the bounds of the family spirit of Indonesian political ethics.

Focusing on the SDSB [charity lottery] issue, the KNPI DPP believes that the SDSB's gather funds through exploiting the attitudes of people who look for good luck. To find an alternative, the government must be willing to conduct a dialogue with all parties openly. "Without openness on the part of the government, a negative perception will emerge of the government's efforts to gather funds from the public. The government should gather funds from affluent members of the public rather than from those who are just getting by," Tjahjo declared. The KNPI DPP also highlighted problems in the economy, education, and freedom of university campus life.

#### Former FRETILIN Officer Interviewed

92SE0149B Jakarta TEMPO in Indonesian 21 Dec 91  
p 16

[Interview with Maukalo, a former FRETILIN (Revolutionary Front for an Independent East Timor) company commander, by TEMPO correspondent Sandra Hamid in Dili, East Timor; date not given: "Picture of a (Former) FRETILIN Member"]

[Text] Maukalo, 33, reportedly was the commander of the best of the seven FRETILIN companies led by Xanana Gusmao. After being a guerrilla for 15 years, he was captured six months ago by Infantry Battalion 303. With the knowledge of General Warouw, TEMPO correspondent Sandra Hamid interviewed Maukalo.

The interview was originally to be held at a house at the edge of Dili Beach with one of the authorities as interpreter, but when it was learned that Maukalo speaks good Indonesian the reporter conducted the interview herself at the beach.

Maukalo is still under ABRI [Indonesian Armed Forces] "supervision." A dropout from the second year of Portuguese junior high school, his ambition was to be a priest. He has been under supervision for only six months. "For a person like Maukalo, it will be at least a year before there will be any results," said an officer in Dili. In any case, Maukalo shows us the attitude of a former FRETILIN member. Following are excerpts from the interview:

[Hamid] When were you captured? Tell me about it.

[Maukalo] It happened on 20 June 1991 in the forest at Groserio, Same, Central East Timor. One person was killed, another was wounded, but a sergeant and I were uninjured. At that time, I was on foot with my company of 18 men. When we needed to eat, we cut sago. When ABRI troops disturbed us, we fled. Two comrades were shot, and they (ABRI) surrounded us. One comrade and I hid in the grass for two days and a night. ABRI kept looking for us, and when they set the grass on fire I surrendered. My wife

surrendered on 1 July. My not being in the forest was a problem to her. She had the children but no food and had to keep running.

[Hamid] Was your wife in FRETILIN, too?

[Maukalo] Yes, she was my political assistant. All of my family were in FRETILIN.

[Hamid] Where was your area of operations?

[Maukalo] In forests in the central sector, between Osu and Barike. We always stayed in the forest, and I had all my family with me. I had been wounded twice but ran into the forest again. All of my children have been wounded.

[Hamid] How many of your troops are still in the forest?

[Maukalo] There are still ... (thinks for a long while) ... 26 of them.

[Hamid] How can they live in the forest? What do they eat?

[Maukalo] Sago and jackfruit. Our people eat cassava or whatever there is. We also hunt deer and buffalo.

[Hamid] How did you treat your wounds when you were shot?

[Maukalo] With leaves. Each person has a different treatment, and there were medical people and doctors among our troops.

[Hamid] Did you ever meet Xanana Gusmao (the number-one FRETILIN leader, still at large)?

[Maukalo] Yes, at Saren, Vatuberiru Subdistrict, on 11 June 1990.

[Hamid] When Dili was liberated in 1975, where did you go?

[Maukalo] From Dili, I went out to Dareh, Resimiu, Ailiu, Maubesi, Same, Alas, Natarbora, Viqueque, and then to Watulane.

[Hamid] Why did you run away?

[Maukalo] We wanted our own independence. Our military strength was not very great then, whereas Indonesia had many troops. We fled to the forest to organize a war against Indonesia. If we had stayed in Dili, we would clearly have been defeated.

[Hamid] When you were not fighting, what did you do in the forest?

[Maukalo] That depended on the situation. If conditions were good, I taught politics to my men.

[Hamid] What did you teach them?

[Maukalo] The meaning of independence, democracy, military discipline, organizational discipline, collective work, and how to help each other.

[Hamid] Is FRETILIN communist?

[Maukalo] I heard people say it is communist, but I do not know what communism is. I only know that we wanted our own independence. I have studied communism, and I do not understand it. People say that communism does not

respect either men or women. I do not want that. I want people to respect one another.

[Hamid] What is your religion and that of your family?

[Maukalo] I am Catholic. At first, I was the only Catholic. The people had no religion; they were heathen. Now my parents and my older sister and brother have become Catholics. First, my sister; then my brother; then me. The fourth sibling died. The fifth became a Muslim and is now in Baucau. He went into the forest but came out in 1979. At that time, I was still working in the forest.

[Hamid] What kind of work?

[Maukalo] War. In the forest, we were at war.

[Hamid] You wanted your own independence?

[Maukalo] Yes. In the forest, whether hiding or running, I could have been killed. It was not my war alone, for I fought along with the people. We fought differently in the city.

[Hamid] Many East Timor people want to become Indonesians, do they not?

[Maukalo] (Quiet for a long while before answering.) There are some.

[Hamid] Just look. They can go to school and work. There are houses. They can live quietly. Why make war?

[Maukalo] Many people want their own independence. There are cars and many buildings, but I do not know the fruit of that work. Many people can get work and receive salaries. But FRETILIN people do not want to be Indonesians.

[Hamid] If the government promises that FRETILIN people will not be punished, will they want integration?

[Maukalo] (Evades the question.)

[Hamid] What if the government promises that FRETILIN people will not be punished and ABRI is more evenhanded?

[Maukalo] If they are more evenhanded, things will be happier. But who knows about some other time?

[Hamid] Do you still want to go back to the forest?

[Maukalo] No. I am not strong now. I do not have any weapons, and my body is not strong. When I was in the forest, Xanana said there were many "clandestines" in the city. Since they have all been broken up, how can FRETILIN win? During the Portuguese time, living was bad, and we wanted independence. Now we are ruled by Indonesia, but living is good. People said that those who come down from the forests die, but I am still alive. My wife is, too. I once became very angry when my wife was sent into the forest to find the FRETILIN. Then the second lieutenant who sent her apologized, and my wife was brought home. I want to live peacefully with Indonesia. If Indonesia does not act right, there will be war again. I want to work and am willing to do anything.

## ECONOMIC

### Tax Revenues Emphasized in New Budget

92SE0148A Jakarta TEMPO in Indonesian 11 Jan 92  
pp 14-17

[Text] Get ready to tighten your belt. This may be a cliche, but it will remain relevant. For two years, Indonesia's economy has been marked by a tight money policy. It will now be tightened even further by government policy in the fiscal sector. This can be seen in the Draft National Budget (RAPBN) the president submitted to the DPR [Parliament] on Monday of this week [6 January].

The RAPBN shows that the government intends to scoop up 32,560.1 billion rupiah in taxes from the people, while the government will spend only 28,880 billion rupiah domestically. According to economists Dr. Sjahrir, Dr. Mari Pangestu, and Dr. Rizal Ramli, these fiscal policies will be contractive.

Even more exceptional is the fact that beginning this year the burden of foreign debt interest and payments must actually be borne by the taxpayer community. Government revenues from oil and natural gas and from foreign loans that can be converted to rupiah are no longer enough to cover this debt (see table).

Tax Revenues 1984-85 to 1992-93 (In billions of rupiah)

Fiscal Year	Income Taxes	Value-Added Taxes	Export Taxes	Land and Building Taxes	Other Taxes
1984-85	2,121.0	878.0	91.0	180.6	115.0
1985-86	2,313.0	2,326.7	50.5	224.5	151.2
1986-87	2,270.5	2,900.1	78.8	190.0	190.4
1987-88	2,663.4	3,390.4	183.5	275.1	222.9
1988-89	3,949.4	4,505.3	155.6	425.2	292.1
1989-90	5,487.7	5,836.7	171.5	590.4	275.5
1990-91	6,515.8	6,824.9	107.8	620.4	288.5
1991-92*	8,021.0	8,224.0	121.3	839.0	350.8
1992-93**	10,930.0	11,032.2	60.0	990.6	354.5

\* Current budget

\*\* Draft budget

Source: FINANCIAL NOTES

Oil and gas have a smaller role in the government's budget this year. The same is true of foreign aid, and both project aid and, especially, program aid. In the proposed budget of 56,108.6 billion rupiah, only 24.8 percent (13,947.5 billion) of revenues is expected from the oil and gas sector, and only 17.11 percent, 9,600.2 billion rupiah, is projected from foreign aid.

The main source of government revenues is now the people, or, to be precise, the taxpayer. These revenues will be realized through various taxes, fees, duties, BUMN [state-owned business enterprise] dividends, charges (such as on forest products and fisheries), departmental service enterprises (such as tuition), and the sale of property (such as confiscated land and government inventory). In the RAPBN, the government projects domestic revenues of 32,560.9 billion rupiah, or 58 percent of total revenues.

In the current budget, however, the first three revenue line items are domestic revenues (49.7 percent), oil and gas (29.6 percent), and foreign aid (20.5 percent).

As we look at the RAPBN data, the first question that arises is whether the expected 30 percent jump in income

taxes and value-added taxes will materialize. Under conditions of tight money policy and high bank interest, is the target not too high?

Look at income taxes and value-added taxes. The RAPBN projects income taxes of 10,930 billion rupiah, 36.3 percent more than under the current budget. Value-added taxes are projected to be 11,032.2 billion (up 34.1 percent).

When Indonesia experienced an economic boom in fiscal 1990-91, income taxes did indeed rise by 39 percent, but value-added taxes could be cranked up by only 29.5 percent. Under the current weak economy, however, is it possible that income and value-added taxes can be hiked that high?

Of course, the targets set by the technocrats were not chosen carelessly. There are reasons for them. These include the fact that a number of companies that previously received a tax holiday enter into a tax paying period this year.

There are also noneconomic considerations. "Taxes in Indonesia are not as firmly in place as in the industrialized countries. If there are recessions in those countries, tax revenues are sure to decline. Here, however, tax revenues can rise even under weak economic conditions," a high official told TEMPO at the end of last year.

It is believed that many big companies are hiding in fortresses that are difficult for tax authorities to penetrate, but tax officials who are cozy with taxpayers reportedly will be dealt with.

The government is now acting mostly in the monetary sector, but in future fiscal years the government's blows will resound in noneconomic sectors.

"We also hope that the government will be disciplined in implementing the budget," Rizal Ramli stated. "It should not do as it did last year. No sooner had the budget been handed to the DPR, when it issued the decision to raise civil service salaries," he said.

The impact of the higher salaries is of course easy to adjust in the current fiscal year. The government may merely come to the DPR again to ask approval of an amended APBN [National Budget]. The "shock therapy" may still be needed.

It is not difficult to expect that there will be a civil service wage increase in the budget. What is reflected in the RAPBN is a fiscal policy that is in line with a tight money policy. The government projects 33,196.6 billion rupiah for routine expenditures, but that figure encompasses three domestic expense line items that devour this money.

The payment of foreign debt principal and interest alone will suck up 15,627 billion rupiah, and spending on overseas personnel (255 billion rupiah) and overseas purchases of goods (2,247.6 billion rupiah) bring the total to be dumped overseas to 18,129.6 billion rupiah. Thus, only 15,067 billion rupiah (about 45.4 percent) remain to be spent at home. This sum will be used to pay civil service wages and pensions, regional government personnel costs, and other costs.

The "other costs" line item of 448.5 billion rupiah, a government official said, includes 350 billion rupiah for the general election. The current budget also has election expenses of 150 billion rupiah, and next year an additional 100 billion rupiah will be spent on follow-up to the election.

The government apparently wants to give liquidity to the economy through development programs. From domestic

revenues of 46,508.4 billion rupiah, the government will have a fund of 13,311.8 billion rupiah after subtracting routine expenses. This money will be mixed with program aid from abroad (501.2 billion rupiah) and will be spent at home.

Thus, the funds to be spent domestically—whether from routine expense line items or from development items—will total 28,880 billion rupiah. Compared with funds that the government will suck up through taxes, fees, and duties, 3,680 billion rupiah will be absorbed without being returned to the public. It is for that reason that this fiscal policy is called contractive.

The government can, if it so desires, compensate for this 3,680 billion rupiah, but naturally not by printing rupiah. What is happening now is that the government is continuing to pile up its money in BI [Bank Indonesia]. As we know, the government received a windfall when oil prices took off at the end of 1990.

Some of that additional income has been used this fiscal year, but there are still 2 trillion rupiah for which no use has been decided and is merely on deposit in BI as development budget reserves (CAP). The minister of finance says these funds will be used only under pressing conditions.

"If projected state revenues for 1991-92 are not achieved, the CAP will be transferred to the APBN through use of APBN documents such as the DIP [list of approved projects] or an SKO [authorization decision document]," the minister of finance told the DPR last 4 October. "If the 1991-92 budget has a surplus, the CAP will remain in the reserve category at a total of 2 trillion rupiah."

Oddly, following the emergence of oil income at the end of 1990, government accounts in BI not only rose from 2 trillion to 10 trillion rupiah, but they then swelled to 15 trillion rupiah (see table).

**Government Accounts in Bank Indonesia (In billions of rupiah)**

1991					
1989	1990	1st Quarter	2d Quarter	3d Quarter	Beginning of December
10,104	13,783	15,715	15,809	16,102	14,788

Source: Bank Indonesia

According to Dahlan Sutalaksana, junior director of BI, government accounts in BI earn interest, but he did not say how much. Why, however, is the government unwilling to unload these reserves? It appears that there are several basic reasons. The main one, it seems, is concern over unstable oil and gas prices in 1992. The minister of mining and energy said in November that OPEC oil supplies may increase, because Kuwaiti and Iraqi oil are expected to hit the market.

If OPEC is not united, oil prices may immediately plunge. If that happens, it will clearly threaten the economy and the government's budget. In the 1992-93 RAPBN, the government in fact has been very careful in its projection of oil and gas revenues. The reference price in the RAPBN is \$17 per barrel, \$2 less than in the current APBN.

There is a prediction that the price of oil could fall below \$13 per barrel, but that may be too drastic. According to an expert

in the government, the industrialized countries will not permit such a serious drop. The 1986 oil price fall proved how it could shake the economies of oil producing countries (including Indonesia) and even cause war in the Gulf.

Because of that experience, since last year both producers and consumers have tried to maintain oil price stability. The most suitable oil price seems now to be about \$17 per barrel. If the price does ultimately fall, the government will at least have the development budget reserves as a safety cushion for subsequent budgets.

"Even if revenues from oil and gas should decline by 7.1 percent from revenues in the current APBN, we must be thankful that Indonesia still possesses these commodities," said a high government official. It can be pictured how

serious Indonesia's condition would be if it did not have oil, as is the case with the Philippines.

At present, debts and all government needs must be paid by the people in the form of taxes. All irrigation canals and government-built roads will have tolls. Because the Philippines and a number of Latin American countries cannot do that, they feel it necessary to ask for debt rescheduling.

It can be seen in the RAPBN that the burden of principal and interest (15,969.3 billion rupiah) on foreign debts will exceed oil and gas revenues (13,947.5 billion rupiah). It can be seen, too, that only 501.2 billion rupiah remains in foreign aid that is convertible to rupiah. This total is very much smaller than in the previous six APBN's (1986-87 to 1991-92). The people must now be involved in bearing this debt burden.

With the participation of the public in bearing the debt burden, the question arises as to what has been built with foreign loans. Projects built in Thailand and South Korea with foreign loans have directly benefited their economies. Here, however, projects build with foreign loans are widely distributed, and there is very little information about the projects. In fact, they sometime become points of controversy.

### Monetary, Banking Prospects Dim for 1992

92SE0148B Jakarta TEMPO in Indonesian 28 Dec 91  
pp 88, 89

[Article by Anwar Nasution: "Economic, Monetary, Banking Prospects for 1992"]

[Text] Macroeconomic problems and problems being faced by the banking sector indicate dim monetary and banking prospects for 1992. These are also connected to a number of incidents inside as well as outside the country. Forest fires and a long dry season in 1991 will cut exports and boost imports.

Besides that, the high interest rates that have existed since 1990 limit the people's expenditures at home (consumption and investment). Declining oil and gas prices and the fiscal burden of foreign debt payments will hinder the APBN [National Budget] from turning the wheels of the economy.

Uncertainties overseas are related to doubts about prospects for the rate of economic growth in the industrialized countries and to uncertainties in the money market and the world trade system. If the incident of 12 November is not fully resolved, it will hurt Indonesia's image in the eyes of the world, which in turn will limit our access to international money markets.

The government's action in postponing several mega-projects has had a role in resolving the excess demand for credit and foreign exchange. Further steps against such excesses are still needed, however. There is still great potential demand by approved projects and projects still on the planning list.

This discouraging picture signifies that the national economic growth rate will decline in 1992 and that the balance-of-payments deficit will expand. Structural problems in banking institutions will not be overcome in 1992.

In this situation, interest rates will remain high despite a small drop, and the rupiah will depreciate faster.

### Prospects for Economic Growth Rate

Observers make contradictory predictions of prospects for the international, regional, and national economy in 1991 and 1992. Optimistic estimates give the picture that the economic growth rate in the industrialized countries will begin to improve in 1992 and that inflation will be lower.

Although there has been a decline in interest rates, rates are still quite high. These high interest rates are connected with still unresolved structural problems in the financial industry in some industrialized countries. As a result, a relaxation of tight monetary policy in those countries has not encouraged banks to reduce interest rates or expand credit. Balance-of-payments deficits in the industrialized countries will continue to swell in 1992.

One version of optimistic projections comes from the 8 October 1991 issue of WORLD FINANCIAL MARKETS (WFM), a publication of Morgan Guaranty Trust. WFM expects the economic growth rate in the industrialized countries to rise from 1.1 percent (1991) to 2.3 percent (1992).

Economic developments in the three most important of the industrialized countries show differing trends. The WFM predicts that the U.S. economy will come out of recession and grow by 2.7 percent in 1992. Japan's growth rate is expected to decline from 4.3 percent (1991) to 3 percent (1992). In Germany, the economic burden of unifying the two Germanies will remain heavy in 1992. The WFM expects the economic growth rate of unified Germany to decline from 3.2 percent (1991) to 1.5 percent (1992).

A BUSINESS WEEK report (2 December 1991) represents the pessimistic view. The report does not yet see any signs that the United States will be able to overcome the structural problems of its financial and real estate industries.

Meanwhile, although there has been a relaxation of tight money policies in some countries, the world money market will still suffer overcrowding. Such market conditions, plus the credit crunch, make it difficult to get foreign loans. A credit crunch is a situation in which banks become very careful in providing credit and in selecting customers. Reasons for overcrowding include the cost of transforming the social systems in communist countries, the cost of peace in the Middle East, and the reformation of the economic systems of Latin American countries. At the same time, savings throughout the world are declining because of economic problems in the industrial countries. These problems indicate the increasing difficulty in getting aid and soft loans from official sources.

### Indonesian Economic Challenges, 1991-92

As we know, the WFM predicts that Indonesia's economic growth rate will decline from 6 percent in 1991 to 5.5 percent in 1992. The AEC (ASIAN ECONOMIC COMMENTARY) expects Indonesia's growth rate to be between 5.0 and 5.5 percent in 1991 and between 5.5 and 6.0 percent in 1992. According to the minister of finance, the growth rate for the two years will not exceed 6 percent.

There are several domestic factors that are bringing down Indonesia's growth rate. These include an inadequate economic infrastructure, difficulties faced by banks, and the high interest rates that have prevailed since 1990. These problems interfere with national economic supply and demand and hinder the rate of growth of consumer spending, community investments, and exports.

The dry season and forest fires in 1991 interfered with imports and nonoil exports. This interference affected exports of forest products, agricultural and fishery commodities, textiles, and finished clothing. Imports of 700,000 tons of rice add to the value of imports in 1991-92.

According to the chairman of the BKPM [Capital Investment Coordination Board], the value of investment applications during 1991 was far below their value in 1990. The value of PMDN [domestic capital investments] dropped to about 62 percent of their 1990 value, whereas PMA [foreign capital investments] were relatively stable. PMDN and PMA realization also declined because of the obstacles mentioned above.

Meanwhile, the government's ability to spur national economic growth is very limited because of an inflexible domestic revenue structure and strong emphasis on a few specific types of revenue. Declining oil and natural gas prices and the sluggish world economy have directly interfered with principal domestic revenue sources. On the other hand, the fiscal burden of foreign debt payments is heavier, while government income from foreign aid and loans is increasingly uncertain. This uncertainty is connected with the credit crunch and crowding out on international money markets.

The problems become even more complicated because of the 12 November 1991 incident in Dili, East Timor. At the least, the incident may affect the input of foreign capital and aid as well as loans through the IGGI [Inter-Governmental Group on Indonesia] and multilateral financial institutions. These in turn will reduce Indonesia's access to commercial loan sources.

#### **Monetary Prospects**

Conditions in the monetary sector in 1992 will not differ much from 1991. The structural difficulties in banking will not yet be overcome; interest rates will remain high; and credit will continue to expand slowly. Unhealthy banking conditions will make banks more careful in providing credit and selecting customers. The banks will improve their financial positions by increasing their spread and reserves to cope with the risks of bad debts. For that reason, even if Bank Indonesia should free up domestic credit or buy SBI's [Bank Indonesia certificates] and SBPU's [money market certificates], the business world would not feel the impact of that action immediately.

#### **Effect of Monetary Sector on Real Sector**

The tight money policy affects the real sector through various mechanisms. First, it raises interest rates, which in turn reduce consumer spending for durable goods like motor vehicles and household appliances. They also affect investments, including investments in residential building.

Second, the tight money policy also affects the real sector indirectly through its impact on interest rates and prices. High interest rates reduce the value of people's assets, which then reduces consumption and the value of the assets people pledge to obtain credit.

Third, the great difference between domestic interest rates and rates on the international money market creates a public expectation that the rupiah's exchange rate will fall. This difference in interest rates does not encourage the entrance of capital from outside because of limitations on commercial loans and the low quality of information about national companies.

#### **Foreign Exchange Fluctuations**

If the government does not devalue the rupiah, its depreciation will occur faster in 1992. There are indications besides the prospect of a bigger balance-of-payments deficit that indicate a depreciation of the rupiah. One of the indicators is the great difference between real interest rates within the country and those on the international money market.

The decline of the rupiah's effective exchange value reflects a reduction in the competitiveness of Indonesia's exports on the world market. The need for corrections in the declining real exchange value and in the marked difference between domestic and foreign interest rates are signs that depreciation of the rupiah's exchange value is necessary.

#### **Bad Debt in Banking Sector**

The proportion of bad debts will continue to rise in 1992. The recent press statement made by the chief of the National Claims and Auction Affairs Board indicates an increase in bad debts in state banks. This large amount of bad debt is not merely inherited from the past, but also involves new credit, such as consumer and real estate credit and investments unproductive because of high interest rates or spending by megaprojects. The case of PT [Limited Company] Bentoel, for example, clearly indicates inadequate supervision of the use of credit.

#### **Banking Sector Microindicators**

Several banking microindicators show that the market share of national private banks in productive assets, the mobilization of funds, and bank credit were much higher in 1991 than in 1981. The role of state-owned banks declined drastically.

Rising interest, particularly among national private banks, reflected their 1989-90 strategy of emphasis on capturing market share. Under that strategy, they offered high interest to depositors and low interest to debtors. The consequences are reflected in the reduction of spread and profits. If these conditions continue over a relatively long period, many banks will be forced to cease operating.

**Army Paper Discusses Resistance to Conscription**  
*92SE0155A Vientiane KONGTHAP PASASON LAO  
in Lao 18-24 Oct 91 pp 1, 4*

[Editorial: "Being a National Defense Conscript Is a Great and Noble Honor for Lao Youth"]

[Excerpts] In article five of the national conscription law it states that becoming a national defense conscript is the honorable and noble duty of Lao youth in particular and of Lao civilians in general. From age 17 to age 40 one must make oneself available for conscription.

In the past even though the vast majority of young men have known well the reason for conscription, they have voluntarily and eagerly become conscripts.

In contrast with this devotion and despite the good understanding of the conscription law by the vast majority of Lao youths, a number of young men in some localities of the countryside and some towns on the plains have been suspicious and resentful. They were afraid that if they became conscripts they would not return home according to schedule - on the contrary they thought that "becoming a soldier meant going to fight" or to die etc. In addition some bad groups and counter-revolutionary groups have used this opportunity to spread propaganda and incite dissension so that the youths who have conducted theirs lives as they wished have become afraid and uncertain and have sought ways to avoid conscription. [passage omitted]

During their three years of service as conscripts, young men do not suffer material or spiritual losses of any sort. On the contrary these three years are three years during which the young men receive many benefits both as individuals and as a group. As individuals they receive training in specialties, revolutionary qualities, and rules for conducting their lives. They also increase their revolutionary consciousness and awareness of the tricks of the enemy.

One should therefore realize that being a conscript is not easy nor is it done because of compulsion or threats. One becomes a soldier to carry out the conscription law justly and completely. Those who are to be conscripted must be screened and examined. Those who do not have problems and are conscripted must satisfy the conditions regarding health and family status. This means that to be conscripted one must be in good health and satisfy the conditions with regard to family completely. In addition those with mental problems and other disabilities must be eliminated. [passage omitted]

**Antiaircraft Unit Wartime Shootdowns Described**  
*92SE0155B Vientiane KONGTHAP PASASON LAO  
in Lao 18-24 Oct 91 p 3*

[Article by A. Pheuanchai: "30 Years of Glory—the Air Defense"]

[Text] Faced with a situation which was constantly changing and chaotic because of the air war of the imperialist invaders, the air defense units during that time could not be set up officially, but this defense became steadily fiercer in response to the situation and the attacks of the enemy. It was an urgently arranged air defense.

By the 1960's the new-style colonialists had developed a cruel and clever plan to attack Laos. They tried to escalate the war and provoke the patriotic Lao people. They hoped to wipe out the revolutionary forces of the Lao people. Therefore the [Lao forces] carried out the order of the supreme headquarters of the army of the Independent Lao Front and on 18 October 1961 the first air defense battalion opened fire on the iron vultures of the imperialist invaders. This unit was located at Ban Nong Nam Village, Pek District, Xieng Khouang Province. It was commanded by Comrade Chan and Comrade Simeuang. It was organized in three companies. There were two companies of 37 mm antiaircraft guns and one company of 12.8 mm antiaircraft guns.

After this battalion was set up, it was assigned to anti-aircraft defense against the enemy. The first company defended against the enemy in the air over Khang Khai (Xieng Khouang). The bullets entered the gun barrels and then were released to attack the iron vulture of the enemy. It was an RF-101 which was a very modern plane just produced by the Americans. It turned over and over as it fell to the earth of Xieng Khouang. It was the first plane shot down in Indo-China. When this first plane hit the ground, it created fear in the Air Force. But the [members of the unit] were not afraid - on the contrary the Lao People's Liberation Army was very proud and resolute and believed firmly in the leadership of the party. On 24 June 1964 the battle to liberate the Plain of Jars began. The air defense battalion worked with the infantry to block the withdrawal routes for the enemy including [routes from] Thong Hai, Meuang Soui, Lat Ngon, Phou Ba, Khoua Lek, and Khoua Nam Yen. In November 1964 the enemy attacked Phou Kut with its air force, artillery and an infantry force many times superior to ours. The battle to defend Phou Kut was fierce. The battlelines were less than 25 meters apart. The Lao revolutionary combatants were brave and patriotic. Comrade Phimmason was a young combatant who used a 12.8 mm antiaircraft gun to hit T-28 aircraft. Then he used an automatic weapon to shoot into the enemy columns which were advancing on the ground. He alone held off a large number and forced them to withdraw in order to allow the whole platoon to defend against enemy planes. Finally he bravely sacrificed his life on that battlefield. By the end of the battle this brave unit had shot down five T-28 aircraft on the spot and damaged seven aircraft, and they had destroyed three armored vehicles and killed 28 of the enemy.

From 1961 to 1973 this unit was constantly involved in fighting. Its contribution to liberation was: it was involved in 1,055 air defense engagements; it shot down 285 aircraft of all types; it was involved in 49 engagements on the ground; it captured, killed and searched out hundreds of the enemy; it destroyed a great deal of military equipment; it defended the 4,000 people of Pek District and Khun

## LAOS

District; it constructed a revolutionary base of 4 villages; and it built a 160 member guerrilla network. For these contributions the unit received 14 unit decorations and 41 individual decorations. One member became a national hero, and two received commendations.

The period from 1973 to 1991, more than 10 years, was a period when the country's role changed from fighting to maintaining power, and the unit played an important role. After it fulfilled its duty with regard to national liberation, the unit continued to improve itself in every area. It expanded on its great traditions of defending and building

the country by working hard at building the national defense, improving the unit and improving the living standard...

In the period from 1973 to 1991 the battalion added new achievements to its 30 year tradition: it was involved in two air-defense engagements, shot down two F-5D aircraft, captured the two pilots and killed five of the enemy.

Now the cadres and combatants of the battalion are confident and proud, and they are ready to dedicate their lives to their revolutionary duties in the new era.

**POLITICAL**

**State Railway Makes Plans for Cambodia Operations**

92SE0165A Bangkok *BANGKOK POST* in English  
25 Jan 92 p 6

[Text] Starting next week the State Railway of Thailand [SRT] plans to run three trains a day between Bangkok and the Cambodian border station in Prachin Buri Province, SRT Deputy Governor Samer Chowai said yesterday.

The SRT currently runs trains twice a day from Bangkok to Prachin Buri's Aranyaprathet District station.

Next week the journeys will be extended six kilometres to the bordering Khlong Luek station, located opposite Cambodia's Poipet, Mr. Samer said.

The other train will be an additional express trip daily.

An ordinary Bangkok-Khlong Luek trip with about seven carriages will take about four hours, he said.

The new services are possible because the SRT last week completed a month-long repair of the six kilometres of track between Aranyaprathet and Khlong Luek, he said.

The SRT expects many passengers and goods on the route because there are many visitors to Poipet, Mr. Samer said, adding that about 100 air-conditioned buses cross the border each day.

The SRT Board will meet on Monday to fix the opening date and timetable of the services.

About 17 million baht is to be used to develop the existing station into a border train terminal for the switching of goods carriages and customs procedures, Mr. Samer said.

The SRT will need only about six months to complete about 48 kilometres of railway track from the border to Cambodia's Sri Sophon District, Mr. Samer said.

The SRT's supply of construction materials would be used in the task instead of waiting for imports, which could take about two years, he said.

It would take the SRT about one more year to improve railway tracks from Sri Sophon to Phnom Phen, completing the Bangkok-Phnom Phen rail route, Mr. Samer said.

Apart from UN funding aid, private investors are interested in financing the reparation of tracks into Phnom Phen, he added.

Freight trains are expected to ship about 3,000 tons of consumer goods daily into Cambodia, especially Sri Sophon, following Thailand's repatriation of about 300,000 Khmer refugees, he said.

The goods could be transported by train more effectively than other kinds of transportation because only four trains would be needed daily for the distance of about 300 kilometres from Sri Sophon to Phnom Phen, he said.

The same amount of goods would require hundreds of trucks while the sea route from Thailand's Laem Chabang

commercial port via Kampongsom port would be a much longer distince (about 600 km), Mr. Samer said.

**MILITARY**

**Army Sues Singapore Arms Dealer**

92SE0128B Bangkok *SIAM RAT* in Thai  
12 Dec 91 pp 1, 16

[Excerpt] [passage omitted] At the Civil Court on 11 December 1991, on behalf of the Army, General Wimon Wongwanit filed charges against the Allied Adnans Company Ltd of Singapore. He charged that the company had violated the terms of a contract and asked for a judgment of 56,563,098.96 baht.

The plaintiff charged that the defendant had registered as a juristic entity, that is, a limited company, in accord with the laws of Singapore, in order to trade in goods and various types of weapons both in and outside the country. The Singapore Embassy in Thailand had signed the papers recognizing the company on 11 February 1980.

On 22 February 1980, as a customer of the Allied Adnans Company Ltd of Singapore, Gen. Prem Tinsulanon, the then RTA CINC [Royal Thai Army commander in chief], signed a contract to purchase 40-mm Bofors AAA guns, equipment, parts, and ammunition. According to the contract, the plaintiff agreed to purchase these items, and the defendant agreed to sell these items in accord with the contract. The defendant was required to deliver the weapons to the plaintiff in accord with the conditions and train Army officials for a fixed price of \$16,856,738.

According to the contract, the weapons were supposed to be delivered to the location stipulated by the buyer in six installments. This included the AAA ammunition. If the defendant delivered the goods later than specified in the contract, the defendant was required to pay a daily fine to the plaintiff. If the plaintiff felt that the defendant would not be able to adhere to the contract, the plaintiff had the right to cancel the contract and demand money to compensate for any price increases.

After the plaintiff and the defendant signed this agreement, the defendant shipped six installments of goods to the plaintiff, and the defendant was paid the full amount by the plaintiff. However, the second, third, and fourth installments were shipped late. Thus, the defendant is responsible for paying a fine to the plaintiff. The fine for those three installments totals \$2,226,893.66 baht, or 56,563,098.96 baht as stated above. [passage omitted]

**Army Reductions, Retirement Changes Detailed**

92SE0128C Bangkok *THAI RAT* in Thai  
30 Nov 91 pp 1, 17

[Excerpt] [passage omitted] Major General Chaturut Phromsakha Na Sakon Nakhon, the secretary of the Army, stated that a meeting was held at the Army auditorium on 29 November for commanders of units directly subordinate to the Army. General Suchinda Khraphryun, the supreme commander and RTA CINC [Royal Thai Army

Commander in Chief], chaired the meeting. Those at the meeting discussed reducing the Army's troop strength in accord with the present situation. The Army will begin strength reductions in 1992. The plan is to reduce troop strength over a 10 year period, carrying this out in two phases. During the first five years, that is, during the period 1992-1996, troop strength will be reduced approximately 15 percent based on present troop strength. The only units that will not be affected are those that were established to carry on national development work. During the second five year period, that is, from 1997-2001, troop strength will be reduced another 10 percent. Thus, over the full 10 year period, troop strength will be reduced by 25 percent, which means a total of at least 30,000 soldiers.

The Army secretary said that in some cases, this strength reduction will be accomplished by allowing some units to remain "shell" units instead of recruiting troops to fill out these units. The draft will be ended, and troop strength will not be increased in some units. These troop reductions will take place in combat and combat support units, training units, regional units, the military districts and circles, and command units. Also, enrollment at the military academy and NCO [non-commissioned officer] school will be cut. These strength reductions are nothing new. The Army has done this before. It is doing this because at present there are no worrisome situations. Moreover, reducing troop strength is in accord with the government's policy of reducing the size of the bureaucracy.

Maj. Gen. Chaturut said that the Army will strengthen the reserves to match the reduction in the size of the regular forces so that the regular forces can be expanded if the need should arise in the future. However, the Army is concerned about its troops and so in reducing the size of its forces, it will try to prevent this from affecting and causing problems for those demobilized.

Maj. Gen. Chaturut was asked about the matter of the Army personnel department sending a letter to units directly subordinate to the Army asking them their view on retirement before the age of 60. He was asked if this is part of the plan to reduce troop strength. Maj. Gen. Chaturut said that this is part of the strength reduction plan. But at present, the Army is just gathering data by having the various units give their opinions. This must be handled by a committee, and the matter must be discussed further.

A reporter asked about the obstacles in the way of Gen Suchinda's idea of retiring soldiers before the age of 60. The Army secretary said that the facts must be determined first and that this is something that must be discussed by various groups. He said that he can't say whether this will be done or not. However, this was done during the time that Field Marshal Thanom Kittikhachon was prime minister. At that time, people were allowed to retire at the age of 55. This will have to be considered very carefully, because allowing people to take early retirement will be difficult. We must have clear data, study this thoroughly, and make a recommendation to the commander. But he said that he couldn't say when that will be.

Maj. Gen. Chaturut was asked if there has been any discussion about whether taking early retirement will be

left up to individual soldiers. He said that he had thought about taking early retirement. But if soldiers are going to be retired before the age of 60, there should be regulations on this. Because this must be done in a way that is fair to everyone. People who have served their country in the military shouldn't be forced out. Many soldiers have served in the military for a long time and been in combat. Much thought must be given to releasing them, and there should be regulations on this now that their services are no longer needed. But he thinks that at present there are many soldiers who are gaining additional knowledge and thinking about earning a living in the civilian world.

The reporter asked about the fact that some people think that senior officers, that is, generals, don't have much to do now. They spend their time playing golf. The Army secretary laughed and said that those people are probably joking. He said that there are no new slots for generals and that the number of these slots will be reduced, too.

#### Army Division Commander Profiled

92SE0128A Bangkok DAILY NEWS in Thai  
15 Dec 91 p 5

[DAILY NEWS square column by Nanthana: "Commander of the 1st Division, Major General Thitiphong Chennuwat"]

[Excerpt] The 1991 annual military ceremony and parade held by the king's guard troops on 3 December 1991 was very grand and beautiful. The mixed king's guard unit was commanded by Major General Thitiphong Chennuwat, the commander of the 1st King's Guard Division. Today, I would like to introduce Maj Gen Thitiphong, a young Army officer with a bright future.

Maj. Gen. Thitiphong Chennuwat is from Bangkok. He was born on 2 September 1938. He is the son of Mr. Sut and Mrs. Bunmi Chennuwat. He and his wife, Sirilak, have two children: Miss Aphiradi Chennuwat, who graduated from the Faculty of Communication Arts, Chulalongkorn University, and Cadet Phaophan Chennuwat, who is a sophomore at the Military Preparatory School.

Maj. Gen. Thitiphong attended Wat Nuannoradit School, where he completed Grade six. He then entered the Officers Preparatory School as a member of Class 18, which was the last class to attend this school before it became the Military Preparatory School. Well-known classmates of his were Lieutenant General Chainarong Nunphakdi, the commander of the 1st Corps, Maj. Gen. Phanom Chinawichanya, the commander of the 2d King's Guard Infantry Division, and Maj. Gen. Chaturut Phromsakha Na Sakon Nakhon, the secretary of the Army. He then attended the Chulachomklao Royal Military Academy [CRMA] as a member of Class 11, graduating in 1963. In 1970, he attended the Army Command and General Staff College as a member of Class 50. At present, he is attending the National Defense College as a member of Class 34.

Maj. Gen. Thitiphong began his military career at the Infantry Center in 1965. He was assigned to the 11th

King's Guard Infantry Regiment, which is directly subordinate to the 1st King's Guard Infantry Division. The important positions that he has held include: deputy commander of the 1st Battalion, 11th King's Guard Infantry Regiment; chief of staff of the 1st King's Guard Infantry Regiment; deputy commander of the 2d King's Guard Infantry Regiment; and deputy commander of the 11th King's Guard Infantry Regiment. In 1984 he was appointed chief of the Education Department, Military Preparatory School, a position that he held for two years. In 1986, he was reappointed commander of the 11th King's Guard Infantry Regiment. Two years later, in 1988, he was appointed deputy commander of the 9th Infantry Division. In October 1990, he was promoted to major general and made commander of the 2d King's Guard Infantry Division, replacing Maj. Gen. Chainarong Nunphakdi. In October 1991 he was appointed commander of the 1st King's Guard Infantry Division.

The commander of the 1st King's Guard Infantry Division has been a king's guard since 1976. He has also carried out the following special assignments: During the period 1968-1969, he served in Vietnam. In 1981 he served with the forward 1st Army Region in accord with the Burapha Plan of the 1st Army Region.

During his military career, he has done many things of which he is very proud. But something recent of which he is very proud is the fact that he had a chance to lead the mixed king's guard unit during the king's guard military ceremony and parade held on 3 December 1991. He views this as a great honor for a soldier loyal to the monarchy.

Maj. Gen. Thitiphong is another senior officer who prefers to lead a simple life. He likes to play golf. He is sincere and has good intentions toward others. He is dedicated to his work and tries to be honest and fair. As a commander, he is very concerned about the well-being of his subordinates. He adheres to the principle that the interests and happiness of his subordinates must come before his own interests and happiness. These are his ideals in performing his duties. [passage omitted]

## ECONOMIC

### Commerce Policy Makers on U.S. Trade, GSP

92SE0125A Bangkok *BAN MUANG* in Thai  
14 Dec 91 p 6

[Text] Mrs. Somsi Ngaothepthak, the head of Trade Development Section 1, Department of Foreign Trade, Ministry of Commerce, gave a talk on "Penetrating the GSP, the United States and Canada" at the Department of Export Promotion on 13 December. She said that in the case of Canada, the preferential rights are used mainly for industrial goods. But Thai exports to the United States are mostly agricultural products or industrial agro-industrial goods that depend on agricultural raw materials. Thus, we can't make full use of the preferential rights.

However, in 1992 Thailand will still be able to export certain types of goods to Canadian markets. The agricultural goods will include plants, canned fruit, canned food,

and so on. Industrial goods include textiles, household textiles, silk products, electronic and computer equipment, household items made of wood or plastic, and dog and cat food," said Mrs. Somsi.

Mrs. Somsi added that the fact that the United States, Canada, and Mexico plan to open a free trade zone means that Thai products will not be able to compete on those three markets as effectively as in the past. Investment will shift more to Mexico in order to export goods to American and Canadian markets. This will take market share away from Thailand.

Concerning the problem of Thai-American trade, Mr. Sakon Hansuthawarin, the director of the Trade Rights Division, Ministry of Commerce, said that in 1993, Thai-American trade could be affected even more. Because that year, the United States may cut the GSP for Thailand.

"I think that there is a 50-50 chance that the United States will do this. They may cut the GSP because of the patent law issue. Or the United States may feel that Thailand has raised its national income. The items for which the GSP is most likely to be cut include electric cable and microwave ovens," said Mr. Sakon.

### Trade Value With PRC Discussed

92SE0125D Bangkok *MATICHON* in Thai  
5 Dec 91 p 9

[Article by Winyu Techowanit]

[Excerpt] [passage omitted] Since 1985, the Joint Trade Committee has met every year. The committee has set the following targets for the value of trade:

1986—\$350-400 million, 1987—\$400-500 million,  
1988—\$500-600 million, 1989—\$600-800 million,  
1990—\$800-1,000 million

Since commercial relations were established, the value of trade has increased rapidly. In 1974, the value of trade was only \$3.77 million. But in the year that relations began to improve, that is, in 1977, the value of trade rose to \$24.62 million, and in 1980 it increased to \$540 million.

The value of trade is expected to continue rising. Since 1987, the value of trade has increased greatly. It was \$892 in 1987, \$1,155 million in 1988, and \$1,284 million in 1989, which greatly exceeded the targets.

It is worth noting that during the past 13 years, the value of trade between our two countries has increased an average of about \$574 million a year. This is a clear indication of the growth of trade relations between our two countries.

Thai exports to China consist mainly of agricultural products (66 percent), industrial goods (28 percent), and other goods (1.6 percent). Important items include rice, corn, mung beans, sugar, para rubber, tobacco leaves, natural and synthetic fibers, chemicals, refrigerators, resin, machinery, and so on.

Chinese exports to Thailand include raw materials and finished products (56 percent), lubricating oil (12 percent), consumer goods (22 percent), capital goods (2.5 percent),

and other goods (15 percent). Important items include crude oil, high grade diesel oil, lubricating oil, raw cotton, coal, animal hides and tanned skins, iron and steel, petroleum products, textile equipment, clothing, silk and synthetic thread, typing paper, and soybeans.

Oil has become one of the most important goods for Thai-Chinese trade. In addition to the oil trading activities carried on in accord with the 1974-1979 trade agreement, as mentioned above, our two countries also signed another oil trade agreement, which called for China to ship 4.4-4.8 million tons of oil to Thailand during the period 1979-1983. But Thailand has not followed this agreement, because in 1981 Thailand discovered oil and natural gas sites in Thailand.

During the period 1974-1982, China shipped 2,710,000 tons of crude oil and 1.1 million tons of diesel oil to Thailand. This was certainly beneficial to the economic development of Thailand.

In November 1990, the joint committee held its sixth meeting in Beijing. The results of that meeting can be summarized as follows:

1. The joint committee set a new trade target for 1991, that is, \$1-1.2 billion. The main items to be exported by Thailand to China are rice, raw sugar, para rubber, tobacco leaves, mung beans, coffee beans, synthetic yarn, plastics, chemicals, cosmetics, and household furnishings.
3. The main items that Thailand will import from China are crude oil, soybeans, cloth, cotton, animal skins, raw silk, machinery and machinery used in industrial plants, metals, generators, medicines, and wax.

Both Thailand and China are agricultural countries. The products and export goods of these two countries are agricultural products or semi-finished agricultural goods. Besides the limitations in exporting goods, each country faces competition when trying to sell the same types of goods on world markets. This is the main problem that the joint committee must solve at its annual meeting.

People are probably aware of the difficulties in trade between our two countries. Usually, there is greater criticism of China than of Thailand. This can be summarized as follows:

1. Slowness in shipping goods.
2. Changes in the prices of the goods.
3. The lack of quality and the outdated nature of the goods.
4. Shortcomings in fulfilling the contracts.

China and Thailand are now promoting international trade and developing their economies. Thus, both countries are trying to improve their economic systems and turn their agricultural systems into a new industrial system, or agro-industrial system, which will lead to the development of the trade relations of the two countries.

However, looking at the balance of trade for the past several years, it can be seen that it is Thailand that has suffered a trade deficit. For this reason, we hope that China will import greater quantities of goods, such as

tapioca, tobacco leaves, household furnishings, plastics, and chemicals, from Thailand. Besides this, China needs building materials, electrical goods, and air conditioners. [passage omitted]

#### **Industry Minister on Cambodian Natural Gas**

*92SE0125C Bangkok NAEON NA (LOK THURAKIT SUPPLEMENT) in Thai 12 Dec 91 pp 7, 14*

[Excerpt] The Cambodian minister of commerce made an urgent trip to Thailand to urge Thais to invest there as soon as possible, because the situation there is now back to normal. This was revealed by Mr. Wira Sulangkonkan, the [Thai] deputy minister of industry, following his meeting with Mr. Vian Vaenda, the Cambodian minister of commerce, on 11 December.

During this trip to Thailand, the Cambodian party urged more Thai investors to invest in Cambodia, because the situation in Cambodia has returned to normal.

Mr. Wira said that Thailand is interested in exploring for natural gas and oil in Cambodia. Cambodia has granted France a concession to allow it to conduct explorations in the Cambodian gulf. If Thailand is interested, it can participate in developing this area, with a 20 percent share. It is estimated that there are large amounts of natural gas here. The Cambodian population is very small, and so the demand for natural gas there is small. This is very good for Thailand, because Cambodia will have to sell its surplus natural gas to Thailand. [passage omitted]

#### **Finance Minister Discusses Foreign Borrowing**

*92SE0125B Bangkok BAN MUANG in Thai 30 Nov 91 p 7*

[Text] Mr. Suthi Singsane, the minister of finance, talked about the foreign borrowing plan for fiscal 1992. He said that the government will borrow approximately \$2.5 billion from abroad, which is an increase from 1991, when the country borrowed \$1.5 billion. This stems from the increased need for capital by both the public and private sectors.

"The only state unit that needs to borrow money from abroad is the Department of Highways. The others are all state enterprises, which need to invest in building their infrastructure. This includes the project to install 2 million telephones and the Thai International Airways project," said Mr. Suthi. He added that he does not foresee any problems in paying off these foreign loans, because the projects for which the money will be used are all commercial projects that will generate profits within a short period of time.

Mr. Suphachai Phisitthawanit, the deputy undersecretary of finance, said that the main reason why the government has decided to borrow more money from abroad is that it feels that it is worth it when compared with the benefits to be derived from these projects. Moreover, this will enhance Thailand's credit.

MR [royal title] Chatumongkhon Sonnakun, the director-general of the Comptroller-General's Department, discussed the plan to reduce the foreign debt burden. He said that at present, the Comptroller-General's Department and the Bank of Thailand (national bank) have drafted an order on buying and selling foreign instruments. This order will use treasury reserves to purchase foreign instruments. This order will be included as an addendum to the order on the use of treasury reserves. Approximately 10 billion baht will be used to purchase foreign instruments.

**Government Plans Rice Market Intervention**  
*92SE0125E Bangkok NAEONNA (LOK THURAKIT SUPPLEMENT) in Thai 10 Dec 91 p 8*

[Text] Mr. Chare Chutharattanakun, the director-general of the Department of Foreign Trade, said that the department has been allotted 1.5 billion baht to intervene in the rice market in accord with the government's policy. This year, it will not intervene fully as it did last year. It will intervene only during periods when rice prices are depressed in order to stimulate higher rice prices in accord with the rice price targets set by the state. Because if the government intervenes too much and prices rise too much, Thai rice may not be able to compete on foreign markets.

Rice sales to Iraq have encountered problems, because Iraq does not have any money to purchase rice from Thailand. Also, the Soviet Union does not have any money to buy food. Thai merchants must sell to them, but they risk not being paid. Exporters will discuss this with the national bank in order to hold talks with other countries about guaranteeing letters of credit for the purchase of goods by Iraq and the Soviet Union.

Mr. Chare said that the fact that the European Community (EC) has set high standards for agricultural goods and seafood may cause problems for Thai exports. But it is thought that Thai exporters will be able to improve the quality of their products to meet the standards set by the EC. And it is thought that this will benefit Thai exporters who have improved the quality of their goods to the point where they can compete successfully against other countries such as Indonesia and the Philippines. This year, the state will sell little rice. Most will be sold by private companies.

**Counterfeit Goods, Police Inaction Noted**  
*92SE0125F Bangkok DAILY NEWS in Thai 6 Dec 91 p 5*

[Column by "Chai-Ari"]

[Text] Several days ago, I provided readers and the officials responsible with information about counterfeiters. So far, there hasn't been any direct response by the officials responsible. But there have been rumors that one of the groups involved in producing counterfeit goods has been under surveillance by the police for a long time and that the police are getting ready to arrest them.

The activities of these counterfeiters are doing serious damage to our economy. This is causing great problems for the consumers, that is, the people. They don't know

whether they are buying bogus goods or not. These people counterfeit all types of goods, from goods sold at major stores to goods sold at small markets. They counterfeit the brands that sell well and that are heavily advertised and sell them to regular customers who serve as their agents.

The owners of factories and printing houses collaborate in producing bogus goods, bogus trademarks, and bogus boxes. Everything looks like the genuine article. This includes soap, chemicals, toilet powder, and cosmetics. They counterfeit and sell both foreign and Thai products.

I have asked the police why they haven't taken action against these people now that they know what is going on. Why have they allowed these people to do this unchecked? Their response has been that they must proceed carefully, because the counterfeiters have links to various people. It's difficult to determine which goods are bogus and which are real, because the owners of the goods, or the owners of the copyrights, must order the goods from the factories and then pack the goods in boxes whose labels were printed at the printing plants. If a factory and a printing plant are working together with the criminals, bogus goods will come from the same place as genuine goods.

A policeman told me that from what has been learned, these people are working together as a team. The counterfeiters offer huge profits to the owners of the printing plants and factories. They have to work as a team for this to work. Otherwise, it would be difficult for them to do this.

Those who counterfeit goods for a living, that is, those who counterfeit all types of goods, work together as a large team. They have links to people in both the north and the south. In the south, there are major agents in Hat Yai, Songkhla Province, who use large vans to transport many types of counterfeit goods. These agents sell the goods to smaller agents at the subdistrict and district markets throughout the south.

As for the bogus goods that are delivered to the smaller agents, they are told that the goods are counterfeit goods. But the price is much lower than the genuine goods, because genuine goods are in short supply and are very expensive. The small merchants see a chance to make a good profit, and so they accept the bogus goods.

The major agents in the north sell all sorts of bogus goods. They work as a team and have many branches scattered throughout the north. They have been doing this for a long time now. They openly sell counterfeit goods, thumbing their noses at the police.

At the Takhli District market in Nakhon Sawan Province, everyone knows who the major counterfeiter is. The police have arrested him several times. The owners of several brands of goods have tried to have him arrested several times, but the police haven't taken resolute action. It seems unbelievable, but it's true. These criminal merchants are doing nothing less than making a living by destroying our economy. No one dares touch them. Why? The answer to that question is not yet clear, because this is something new. I am still groping for the real source of this. But I can

assure you that I will pursue this matter. I want to know which consumer goods being sold on the markets are real and which are bogus. Because with respect to even such items as tonics, which are needed by women each month, cosmetics, and laundry detergents, half of the goods sold are counterfeits. Are the units responsible for taking action just sitting about twiddling their thumbs?

### **Impact of IPR, Patent Law Changes Discussed**

*92SE0127A Bangkok DAO SIAM in Thai 1, 15 Dec 91*

[Article by Naret Thongkeow]

#### **[1 Dec 91 p 4]**

[Excerpt] [passage omitted] The battle line which must be changed.

We must recognize the fact that with regard to improving the system for intellectual property rights [IPR], whether it involves patents, copyrights or trademarks, regardless of whether it is to Thailand's advantage in everything or we are treated unjustly in some areas and regardless of whether it has reached the point where we must make the changes demanded by the United States and the EEC as with patents, the problem which must be discussed and on which we have not been able to agree at this point involves expanding patent protection to medicine. Many doctors and specialists have objected to making this protection retroactive because it would create problems for the people, and in the future having a patent law for medicine would make the medicine we import after the introduction of the patent law much more expensive or so expensive that poor people would not be able to buy it. In addition if patent laws were applied carelessly it would give patent-holders the opportunity not to invest in building medicine production facilities in Thailand—they could import the medicine and not allow anyone else to use the patent. If it reached the point that they would not import the medicine or produce it in the country, we would have to change the battle lines for medicine again because the problems which will arise in the future are not clear today. But we cannot ignore what those providing medical care for the people are saying, and we cannot listen to them alone. We cannot tell whether this bartering over trade will be worthwhile except by judging it over time.

#### **How much should we protect intellectual Property Rights?**

The problem I have been asked about most is: If we do not agree to correct the system for IPR, will we still be able to be successful in world trade and what will Thailand's trade be like in the future. In the past I have not given a clear response and so I would like to take this opportunity to say what I think.

First, we accept that we must correct the system for IPR in many ways, but these changes must be on the basis of necessity and the readiness of the people. The readiness of the people does not refer to the consumers but to the readiness of business to adjust so that the industry will not be destroyed in Thailand.

Second, Thailand is not in the position of having a choice inasmuch as we have targeted trade with the United States

and the EEC and the quantity of trade with both is so great that it could not be redirected in a short period. The changes in the system for IPR demanded by the economic powers cannot be refused altogether, but that does not mean that we must agree to everything immediately.

Finally, what level of protection for IPR would be appropriate for our economic level and for economic progress in our country? In my view we should provide a low level of protection initially and then gradually increase the protection up to the level accepted internationally. We should use the Uruguay round of GATT talks as a guide. Whatever GATT provides, we should also provide, but we should wait and not provide it immediately when we are not ready. The changes should be clear enough that the private sector can set a proper course in trade.

#### **[15 Dec 91 p 4]**

[Excerpt] Objections and support [passage omitted]

It is not my intention to create opposition to the Minister of Commerce because I personally feel that his work in many areas has advanced the Ministry of Commerce a great deal. My reports about this have been done without any ill will, and I have not been influenced by any group. I am just writing about the facts I have learned as a member of the media who must work for the benefit of the nation and the people. To summarize regarding the support for and opposition to changing the present patent law, one side feels that it is necessary to act to maintain the country's markets with its important trading partner, the United States. I agree with this view but not entirely. The other side, which opposes any change, fears that the people will be hurt because they will have to pay higher prices for medicine and there will be no measures to develop the domestic medicine industry inasmuch as the new law would expand patent protection to medicine. I agree with this also but not entirely.

Would medicine actually become more expensive?

What I am worried about is not just that the price of medicine might increase, but that there might be a lack of medicine if the commission for medicine patents which has been set up specifies rules and regulations which are too strict and which do not provide for bargaining over the business of the patent-holders during the period when it is required that patents be used, the new amended patent law does not include measures which would cause importation from other sources of those medicines whose patent-holders do not permit importing or production of the medicines. We would have to wait for other importers to bargain with them because under the law when it is required that these patent rights be used and there is no medicine imported within an appropriate period of time, the patent-holder would still have the opportunity for appropriate compensation and could also engage in a waiting game which would cause great losses for the country. One would never know when the bargaining would end and the medicine would be imported. Another factor which is clear and which the Ministry of Trade did not point out is that a request to register a patent would create a monopoly. According to their explanation it would

not create a monopoly—the Ministry of Commerce claimed that registering a patent would require three to four years for research and development on the medicine so that the formula could be registered after the patent was obtained. In fact a patent can be registered for both a single chemical and a mixture of chemicals if they are new. The claim that a single chemical could not be used as a medicine is a misunderstanding. Single chemicals are used as medicines in thousands of formulas. And the development need not take that long. I ask the reader to consider all these factors in judging whether the price of medicine will rise or not.

#### Trade obstruction and the patent law.

A problem which is argued about a great deal involves the threat of the United States to retaliate in trade if the patent law is not changed in the manner demanded by the United States. Since 20 to 40 percent of Thai goods are exported to the United States, there would be serious trade problems if the United States applied the 301 provision of its trade law strictly. At present we have the status of a P.F.C country so the Ministry of Trade has had to struggle hard to get out of this situation by rushing through the new patent law which is now being considered in the assembly for the second time. Actually the United States is trying to pressure Thailand in trade in every way because in its view if it allows Thai goods to enter easily it will create the same problem it has now with Japan. The first action of the United States was to specify the conditions for special trade rights or G.S.P. The effect of these strict limitations was that Thailand lost G.S.P. for the many goods each year which had special status and were not charged a tariff or for which there was a special tariff. The mass media did not comment on this or criticize it. Second, the United States pressured us by asking for talks between the two parties involved rather than talks at the international level under GATT. For example they asked for quotas on fabrics even though this violated the GATT policy of free trade. Third, they adopted retaliatory trade measures because they claimed some Thai goods received export incentives or were being dumped. This forced us to increase export tariffs, otherwise the United States would have increased import tariffs in a situation which we would call C.V.D. or A.D. At present many Thai goods are meeting these problems such as steel pipe connectors and steel pipe. Lately measures have been taken which are not based on fact and which have made it impossible for some types of goods to be exported or to be exported with very high expenses such as rice. These are the facts which will affect the decision of the commission of the National Assembly which must consider this matter justly without being the political tool of any group.

#### Things which do not appear in the patent law.

From studying the laws concerning medicine and imports and exports in detail, I have found that there are many disturbing new trends which no one has discussed. These have caused the Ministry of Trade to insist firmly that the corrected patent law which is before the National Assembly would not be changed and to announce that it would not give in to the United States in two matters,

namely, enforcing patents retroactively and enforcing them according to the objectives and desires of the United States. Almost all the demands of the United States require that Thailand agree unconditionally and without objection and so we do not know what there is for the Ministry of Commerce to discuss. The first issue involves the demand of the United States for retroactive patent rights. The United States wants these rights to extend back six years to the time when the trade talks first began. One way of doing this might be to change the patent law for medicine so that requests for registration of medicine formulas at the Food and Drug Administration of the Ministry of Public Health be allowed for medicines or formulas which have received patents. If the United States were to be accommodated further, the patent law could be changed to the point that patents for which there were requests for registration of medical formulas would not have to be registered in Thailand but could be registered in any country, and there would have to be no more than six years of the patent's applicability left for a formula to be registered. Thus formulas could be registered for a period equivalent to the retroactive period of six years the United States wants. As for the second issue, if the Ministry of Public Health is not willing to follow the lead of the Ministry of Commerce in this matter and will only accept medicines with patents registered in Thailand, what is to be done? I believe that one approach would be for some officials in the Ministry of Commerce to use the same approach, that is, to issue a Ministry of Commerce regulation under the import-export law specifying that medicine imported into the kingdom could only be patented medicine and that the term of its patent remaining could be no more than six years. Thus it could be imported in accordance with the desires of the United States. The result would be that the medicine industry would collapse while the medicine copies which were imported and which the ministry claimed were not protected by patent would be barred from importation immediately. It is estimated that this would involve no fewer than 2,000 formulas or types. This is another aspect of the problem to be considered honestly in deciding who is wrong and who is right.

In summary we must promote the national interest.

What we would like to ask is that all groups get together, stop being stubborn, speak the same language and think of the national interest and the people when they discuss whether changing the patent law according to the desires of the United States is appropriate and whether the nation is a plaything which should be put at risk with the experiments of specialists and lawyers. Thailand is not a developed country. We need a great deal of technology to develop the country's industry. With regard to [trade] protection, are we not protecting areas where there are deficiencies? If Thailand were a developed country such as Korea, Taiwan or Japan I would not waste my time writing this report. The problem of imitations which has arisen in Thailand is similar to that which Japan, Korea and Taiwan had in the past. Becoming an advanced country will require that we mobilize our people to become educated in technology, and whatever our people want to learn about we will have to provide for

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them at a low price even though some of these actions might be criticized by other countries. We know that these methods were also used by developed countries before they reached the peak of technological development no matter whether it was the United States, the

EEC, countries in Asia or on the continent of Asia. We hope that the second round of changes in the patent law by the committee of the National Assembly will be done carefully and that they will hold to the principle of protecting the national interest.

## POLITICAL

### Deputies Receive Answers on Many Urgent Issues

922E0088A Ho Chi Minh City TUOI TRE  
in Vietnamese 21 Dec 91 p 2

[Article by Huy Duc, electronically sent from Hanoi: "20 December: Real Questioning Takes Place at National Assembly Session—Council of Ministers Will Have Unprecedented Budget (830 Billion Dong) for Jobs in 1992—Minimum Wage Level in 1992 Will Be 90,000 Dong—Gold Price Will Be Kept Stable"]

[Text] At its previous sessions, the National Assembly usually limited the time given to ministers to handle questions right in the conference hall, with deputies wanting to ask followup questions having to *forward written questions* to them; so it turned out that deputies would only *hear* answers and could not conduct any real discussions with them. At its 10th session, the National Assembly made a new step: It increased the time for handling questions by one day and decided to let deputies ask questions and ministers answer them in the conference hall. This new approach turned the meeting on 20 December into an extremely lively question and answer session.

**Minister of Finance: "This matter cannot be blamed only on Hoang Quy."**

At this meeting, Finance Minister Hoang Quy again was the person who "received" the largest number of question slips and was given the first two hours in the morning for answering them. After having explained a number of points raised in the questions regarding the budget, he said, "Currently, the total amount of tax that the export-import enterprise sector units still owe is 300 billion dong; other state-enterprise units owe 200 billion dong of tax, while the nonstate-enterprise sector does not owe any tax." Minister Hoang Quy also offered this analysis: "The fact that the tax collected from the nonstate-enterprise production and business sector, which accounts for 70 percent of the gross social product, accounts for only 26.9 percent of total tax collection is irrational." According to the minister, a one-time survey has revealed that the unpaid tax amounted to 122 billion dong and U.S.\$5 million. But he said that those figures were very much lower than the actual amount of unpaid tax.

Hoang Quy also mentioned an effort on the part of the Council of Ministers in the 1991 fiscal year: It paid 1,400 billion dong of debts, and plans to pay in 1992 a total of 1,800 billion dong (equivalent to U.S. \$150 million) of debts. After having read his report, Minister Hoang Quy was about to take his briefcase with him and to leave the conference hall as he had done in the previous sessions, but National Assembly Chairman Le Quang Dao stopped him and asked him to stay and to let deputies ask more questions. The hall suddenly became a busy and lively place as tens of deputies rose to ask questions.

Questioned by Deputy Mai Huong (Haiphong) on the budget for education, Minister Hoang Quy recognized that there had been shortcomings and explained the fact that

the spending for education in 1990 amounted to only 87.7 percent of the National Assembly-recommended budget by saying that the budget then was divided and that the shortfall was not discovered until the end of the year when reports reached the Ministry of Finance. Lieutenant General Dam Van Nguy raised some questions about whether there was abuse in the tax collection sector. The minister admitted that there was some abuse but not 100 percent. However, he said that the National Assembly should have compassion for the sector because in 1990 as many as 130 tax cadres were beaten (some were beaten to death) and in 1991 the number of tax cadres being victims of violence was no less than 50. Answering this question "Why does the state try to collect from citizens even one kilogram of paddy of debt while it does not do anything against some units that owe it as much as 81 billion dong?" the minister said, "We are supposed to try to collect from anyone who owes money, but the state-enterprise units mostly owe tax money. The Ministry of Finance does try to collect tax from these units, but if they refuse to pay, it cannot do anything because it is not given any authority to handle this matter."

Deputy Phuong Kim Dung raised a question about collecting tolls for the use of bridges and roads from vehicles of state enterprises, which led to annual spending of up to 4 billion dong by organs (actually by the state budget), while only about 1.5 billion dong was actually retrieved. Former Foreign Affairs Minister Nguyen Co Thach added: "In our country, we used to take whatever is socialist without changing it, and now we are imitating capitalism while disregarding the conditions of the economy. The finance minister, who takes care of the nation's financial affairs, must be responsible for it." Minister Hoang Quy turned toward former Minister Nguyen Co Thach and gave this answer: "The collection of tolls was decided by the Council of Ministers, Mr. Thach. At that time you were also a member of the Standing Committee of the Council of Ministers, and therefore we are both responsible; this matter cannot be blamed only on Hoang Quy."

**Minister of Labor, War Invalids, and Social Welfare: "The reforming of the wage system will be completed in 1993."**

Minister Tran Dinh Hoan informed the National Assembly of a matter that was pressing but provided encouraging information. He said: "In fiscal year 1992, 810 billion dong will be put aside to provide cadres, workers, and civil servants with allowances to compensate for prices. Special attention will be paid to giving allowances to cadres of the public security forces, in organs of control, and in the public order and security sector, as well as to a number of talented artists who are encountering difficulties. In 1992, we will further reform wages, which will go by multiples increasing from 3.5 (the current multiple) to seven, and then 13 in 1993, when the wage reforms will be completed. The budget that is used for monetizing wages will include such items as public health spending (150 billion dong), former electricity and oil allowances (80 billion), social security (43 billion), tuition (76 billion), and an additional 37 billion for monetizing wages. The minimum wage in 1992 will be 90,000 dong (equivalent to 45 kilograms of rice)."

"Monetizing wages (within the reforming of wages)," he added, "is also applicable to rent paying. For a long time we have been subsidizing housing in favor of a segment of the cadre, worker, and civil servant population, which is unfair. However, this item will require 622 billion dong, which we are considering for distribution in the budget. All this is based on the ability to control the budget and is carried out step by step to avoid sudden changes, which create price instability."

Minister Tran Dinh Hoan specifically pointed out: "The 1992 budget will put aside 830 billion dong for redistributing labor in the state sector, with the larger part of this amount being used to create jobs for people having been laid off because of staff reduction. The budget will also put aside some additional 300 billion dong to provide jobs for those people outside of the state sector. This is the first time the state budget has an appropriation for jobs for citizens. So in the 1992 budget, the appropriation for wages and social security is increased by 3.5 times compared to 1991." Minister Tran Dinh Hoan answered a question raised by Deputies Le Van Hoan and Lu Gia, namely, why did the government fail to carry out a decision made by the previous National Assembly session to set the minimum wage level at 45 kilograms of rice? He explained: "At that time, the annual budget had been set at the 600 billion dong level for wages, and so it was impossible to find money anywhere else to make up the difference." He also suggested that from now on the National Assembly should have a new approach and let the minister submit the budget put aside for wages to the National Assembly for approval, instead of letting the National Assembly submit it to the government, as it had done in the case of the decision on the wage level of 45 kilograms of rice. Deputy Pham Phuong questioned about the reasons behind reducing the staffs in the public health and education sectors at a time when the per capita proportions of teachers and physicians remain very low. Minister Tran Dinh Hoan pointed out: "Currently the public health sector has 200,000 cadres, workers, and civil servants, and the education sector, 700,000, while the professional administrative sector has only 130,000 of them." However, he affirmed that a reduction of staffs in the two sectors mainly involved their administrative personnel. As for teachers, there will be a reorganization by means of creating various forms of teachers—state, semipublic, and private—and avoiding any decrease of their numbers due to their low per capita proportion.

**Governor Cao Si Kiem: "The bank has interfered with the market by releasing a large quantity of gold and dollars."**

Governor Cao Si Kiem again mentioned the three reasons behind the increase in gold and dollar prices, but this time he stressed two of them: Smuggling was still increasing at a fast pace in terms of both breadth and depth; psychological effects were brought about by world events. He said that the bank has recently released an unprecedentedly large quantity of gold and foreign currencies in order to hold down gold prices. To stabilize prices is a firm decision of the Council of Ministers which the bank will be able to carry out within its current capabilities. However,

according to him, this effort on the part of the bank must be made under the conditions of effectively fighting smuggling and preventing psychological instabilities from happening.

Governor Cao Si Kiem also pointed out that beginning on 5 November, the bank for the first time has applied positive interest rates to loans granted to the state-operated economic sector. This also is one of the steps taken to implement the National Assembly resolution on making the bank switch to operating in a strict business manner.

**Setting house prices: This matter became complicated when it was brought to the National Assembly floor.**

Answering questions raised by the National Assembly, Construction Minister Ngo Xuan Loc read a long report on the state of setting house prices in Ho Chi Minh City. He pointed out: "Setting prices of houses of levels three and four is legal because the Council of Ministers has given its permission. However, as for setting prices of houses of levels one and two and villas, the Council of Ministers has not adopted any policy. When the Ho Chi Minh City People's Committee signed a decision to allow setting prices of level one to two houses and villas, it acted beyond the limit of its authority."

Minister Ngo Xuan Loc said that according to a report made by the team of Council of Ministers' inspectors, between the date of the decision (30 July 1991) and that of a Council of Ministers' official telegram ordering that the setting of house prices be stopped (13 September), the city as a whole had set the prices of only 465 level one to two houses and villas. But in only seven days (from 13 to 19 September), the number of houses the prices of which were set jumped to 991. A noteworthy fact was that although the official telegram arrived at the city on 13 September, the Municipal People's Committee waited until 17 September to stop setting house prices. Among the houses the prices of which had been set, the organ in charge just now revealed four cases in which resales took place, with one case involving even a second resale, and with price differences amounting to over 1 billion dong.

Minister Ngo Xuan Loc said: "We are running the state by law, but this is an act that goes against the law and causes great losses of state properties." He suggested a solution: Setting prices of level one to two houses continues to be postponed; the people who have bought houses and have acquired their ownership are not allowed to sell them at this time; a list of the areas where sales of houses are not authorized must be urgently made for the purpose of repossessing the houses the prices of which had been set.

Following the report made by Minister Ngo Xuan Loc, nearly 20 deputies took part in a rather bitter debate. Many deputies proposed that price setting in the municipality be carried out within the framework of fighting corruption, mostly when there was the question of many cadres in power who had acquired houses the prices of which had been set quite low and could resell them and pocket hundreds of taels of gold in profits. Deputy Pham Hung, the Supreme People's Court chief justice, Deputy Nguyen Tai, the deputy chairman of the National

Assembly Judiciary Committee, and Deputy Ngo Ba Thanh proposed that all cases be tried in the courts of law.

Toward the end of the debate, Deputy Duong Xuan An read to the National Assembly the text of the municipality's Document No 96 (dated 3 December 1991), which says: "The setting of house prices in the municipality was carried out after the municipality has solicited the Council of Ministers and Minister of Building for their opinions. So how far would the responsibility of these organs go? Many deputies suggest that the Council of Ministers issue a reply. Council of Ministers Chairman Vo Van Kiet said that his council would talk about its responsibility later. He said that he shared the National Assembly's opinion and proposed that the National Assembly set up a team of inspectors to determine all cases of acting in defiance of the law which should be handled in compliance with the law.

According to the deputies' recommendations, the National Assembly must issue a resolution to express its attitude toward this issue and consider the establishment of a team of inspectors a necessity to be taken care of, mostly for the purpose of retrieving the state's lost properties. Chairman Le Quang Dao concluded that the Council of State would organize inspection in regard to this issue.

Late in the afternoon, the National Assembly was still hearing a report by Chief Procurator Tran Quyet of the Supreme People's Organ of Control on the Than Trung Hieu case.

#### **Assembly Debates Buildings-Lands Tax Regulation**

922E0088B Ho Chi Minh City TUOI TRE  
in Vietnamese 21 Dec 91 pp 4, 5

[Article by Huy Duc, electronically sent from Hanoi: "Why Do National Assembly Deputies Propose Suspension of Buildings-Lands Tax Regulation?"]

[Text] The discussion on the Buildings-Lands Tax Regulation that took place in the conference hall in the afternoon of 16 December was the most lively and tense meeting since the beginning of the current session. All 15 deputies who expressed their opinion did not support the Minister of Finance's proposal requesting continued implementation of the Buildings-Lands Tax Regulation. Why?

The discussion was not scheduled on the agenda.

Before going to Hanoi to attend the session, the municipality's delegation of National Assembly deputies had submitted a petition to request putting on the agenda the question of whether the Buildings-Lands Tax Regulation should be suspended. The delegations of deputies of other provinces and municipalities also had sent similar petitions. Vu Mao, the director of the cabinet of the Office of the National Assembly and of the Council of State, admitted that the presiding board had already anticipated such petitions. However, the proposed agenda sent to deputies did not include the question of the Buildings-Lands Tax Regulation.

Deputies held lively discussions at the team level and then at a meeting in the conference hall in the evening of 9 December. With a majority of votes, the presiding board agreed to let the National Assembly have half a day devoted to discussing this controversial question in the conference hall.

In the afternoon of 16 December, Minister Hoang Quy read a 15-page report. After admitting some shortcomings in issuing guidelines for implementation, which in some cases did not fully agree with provisions in the Buildings-Land Tax Regulation, he proposed that the National Assembly let the implementation of the regulation continue. The vice chairman of the National Assembly Economics, Planning, and Budget Committee, Mai Thuc Lan, also suggested that we avoid raising the question of suspending the regulation in order to issue a new legislation. These suggestions led to a tense debate in the National Assembly.

#### **Why did the Buildings-Lands Tax Regulation fail to be agreed on?**

The buildings-lands tax consists of the parts involving lands, actually the kind of tax imposed on the right to use land for housing and land for building projects, and buildings, actually the kind of tax imposed on real properties of owners of such buildings. Minister Hoang Quy pointed out that many countries in the world have adopted these kinds of taxes.

The only people being exempted from paying the buildings-lands tax are the cadres, workers, and civil servants who are occupying the houses distributed to them by the state and the cadres, workers, and civil servants who are exempted from the share of standard living area based on their salary levels. The families that are considered eligible by the present policy but no longer have any members being cadres, workers, and civil servants are not included in the group being eligible for reduction or exemption of this tax.

Deputy Le Cong Co (Quang Nam) did not share the view of the Ministry of Finance, namely, imposing this tax is aimed at restricting house building by the people. He said that the people must instead be encouraged to build their houses and that, again according to this view, in the future there might be a tax imposed on clothing. Deputy Nguyen Hong Phien (Hue) recalled a stand that the Council of Ministers had adopted to encourage development of the house-garden structure and thought that this regulation would make the people break this house-garden structure and cut lands into small pieces to sell. She did not support the idea of granting tax exemption to two children, with each of them getting only 3.5 square meters. In her opinion, that is not even enough for a decent corner of learning. Deputy Vu Thi Lien (Haiphong) pointed to the fact that imposing the tax to help reduce the budgetary deficit is a necessary thing to do. However, she emphasized, losses due to corruption were even much larger (1,729 billion dong, 2.7 million dollars, 2,235 taels of gold, and 36,000 tons of paddy). These losses, after subtraction of what were retrieved, were still 6.1 times larger than the buildings-lands tax (if it is fully collected) and 3.1 times the

agricultural tax collected in a year. Deputy Vu Thi Lien also did not support granting exemption of the tax only to cadres, workers, and civil servants. Consequently, she said that we should wait until the wage system has been reformed before applying the tax to ensure equality for everybody.

In the opinion of Deputy Huynh Van Hoang (Ho Chi Minh City), the state should reduce taxes in order to help the people develop production, for if the people are rich, the source of income indirectly collected from them will be much greater (the policy adopted for agriculture in the last few years is an example). A matter that touches every citizen but is not decided by the highest organ that represents the people (the National Assembly) can hardly be approved by the people. Perhaps the most favorable solution is found in the proposal that Lieutenant General Dam Van Nguy offered to the National Assembly in the afternoon of 16 December: It is correct to adopt the buildings-lands tax, but before we decide how to impose the tax, we must go back and get the people's opinions first.

## ECONOMIC

### **Japanese Firms Positioning for End of Embargo**

922E0078A Ho Chi Minh City TUOI TRE CHU NHAT in Vietnamese 29 Dec 91 p 4

[Article by Ngoc Tram: "Japanese Businessmen and Investors Will Rush Into Vietnam"]

#### **[Text] "We Want To Do Business With Vietnam on a Long-Term Basis"**

During an interview with TUOI TRE CHU NHAT, Mr. Hideo Uchino, Asia region commercial director of the Kenwood Corporation, said, "During the first two years we will not concentrate on selling many goods, but will only sponsor sporting events so that everyone will know the Kenwood brand and quality. Then, we hope we can sell products." Recently, Kenwood promised to sponsor the Ho Chi Minh City Soccer League by providing 190,000 US dollars [USD] (40,000 of which will be used to repair the electric scoreboards at the Thong Nhat field, with the remainder being used to help meet the expenses of the league's activity over a five year period), and promised to provide 10,000 USD for construction in the Cu Chi tunnels area, to be undertaken by the Dai Nam Corporation.

During that two year period Kenwood will enter deeply into market research in order to come up with an appropriate marketing strategy, along with the Dai Nam Corporation, its agent. Dai Nam will manage a display room of Kenwood products on Le Loi Street, Precinct 1, and will organize post-sale servicing. "Kenwood products are not cheap, but are usually 20 to 30 percent more expensive than Sony products. Therefore, post-sale servicing is compulsory. What we fear most is that people will criticize Kenwood products as being of poor quality."

Explaining further about the strategy of his corporation, Mr. Uchino continued, "We are not in a hurry because we want to do business in large and promising markets like

Vietnam on a long-term basis. We are coming to Vietnam at the right time, not too early and not too late. Kenwood does business in a thrifty manner, in the Japanese style." The next step the corporation will take, after gaining market share, will not differ from that of Sony, National, or Sanyo: forming joint ventures in Vietnam."

Regarding direct investment, Japan still accounts for a small percentage of the total investment in Vietnam, and what investment there is is usually made by small companies. In 1990 they invested 90 million USD. The projects that were signed recently (with Nippon, to construct office buildings for the investment and financial companies, with Mase Ronnd to repair, renovate, and supply transportation equipment, and with Kinushow, to produce and market silk) amount to only 7 million USD. JVC and Sanyo have announced plans to set up joint ventures to assemble radios and TV sets in Vietnam to produce goods to export to the other Southeast Asian countries.

Nissho Iwai is studying participating in the construction of an electricity generating plant with investment capital amounting to 725 million USD, and the formation of a three-party joint venture with the Kemina Corporation (Finland) and a Vietnamese corporation to produce fertilizer and export apatite. In addition, Nissho Iwai, representing Japanese oil-and-gas corporations, recommended all-around cooperation with Vietnam in the oil-and-gas sector.

The role of the sogo shosha (joint commercial corporations) like Nissho Iwai in helping the Japanese manufacturing companies do business abroad is also very Japanese. At present, eight of the nine corporations of that type have opened representative offices in Vietnam. By means of trade with Vietnam, they are gradually bringing the Japanese brands that were present in the South prior to 1975 back to the market. Nissho Iwai, the vanguard corporation, has had a representative in Hanoi since 1987 and a year later had one in Ho Chi Minh City. It represents JVC, Cannon, and Nissan in Vietnam.

In 1991, more than 2,000 Japanese businessmen, including representatives of banks, visited Vietnam to seek opportunities for cooperative investment. That total was more than double that of the previous year. At the Vietnam investment seminar held in New York in October 1991, the 35 Japanese corporations attending were the largest group.

The Japanese Government recently announced it would soon lift the embargo on 106 million USD in economic aid for Vietnam. Mr. Kingo Nakai, a Nissho Iwai representative in Ho Chi Minh City, told TUOI TRE CHU NHAT that that will encourage the Japanese corporations to invest in the infrastructure in Vietnam.

Also according to Mr. Nakai, when the U.S. embargo of Vietnam is lifted Japanese will rush into Vietnam. "Japanese corporations are present all over Asia, except for Vietnam."

Mr. Raymond Eaton, chairman of the Commercial Export Development Corporation in Bangkok, observed that "Essentially, Japan has the viewpoint of supporting the embargo, but in fact they are negotiating many contracts that can be implemented immediately after the embargo is lifted."

Faced with the phenomenon of the Japanese investors preparing for the "post embargo" period, and the famous Japanese brands returning to Vietnam, many Western businessmen now doing business with Vietnam are afraid that "Japan is buying the entire world." A French businessman in Ho Chi Minh City said, "The main competitors of Vietnam will be the Asian countries. That is a truly ordinary thing. But Vietnam should study the experiences of Thailand, Malaysia, and Indonesia. This is an economic-political matter that must be managed and calculated carefully. It must know what it needs and what it doesn't need."

**Taiwan Bureau To Build Industrial Park**  
*92SE0163C Hanoi VIETNAM WEEKLY in English*  
*2 Dec 91 p 5*

[Text] Taiwan's Industrial Development Bureau (IDB) is planning to establish an industrial park in Vietnam as part of a drive to encourage local businessmen to invest there, reports AFP from Taipei.

The agency quoted IDB Deputy Director Chen Sheng-yi as saying that the planned industrial park is aimed at helping the island's labor-intensive and agricultural processing industries to cash in on Vietnam's cheaper labor and its raw material supplies.

Chen said the IDB has encouraged enterprises, such as the Taiwan Sugar Corp., Taiwan Salt Works and Taiwan Fertilizer Corp., to invest in Vietnam.

The IDB is organizing a fact-finding delegation of businessmen from dairy products, canned food, confectionary and cement companies to learn about the investment climate in Vietnam, he added.

The export-oriented island has become the largest foreign investor in Vietnam. By June this year, Taiwan's investment in Vietnam—mostly in labor-intensive projects—totalled 439 million dollars, which accounts for 21 percent of total foreign investment in the country.

**Joint Venture Bank Formed With Malaysia**  
*92SE0163B Hanoi VIETNAM WEEKLY in English*  
*2 Dec 91 pp 4, 5*

[Text] Malaysia's Public Bank BHD has become the second foreign bank licensed to operate commercially in Vietnam under a joint-venture agreement with the Vietnam Bank for Investment and Development.

The first joint-venture bank with foreign participation, Indovina Bank, opened in Vietnam early this year under an agreement between P.T. Summa Bank of Indonesia and the Vietnamese Industrial and Commercial Bank.

The new joint venture, VID-Public Bank, is capitalised at 10 million dollars equally contributed by the two sides.

The bank will start operation on January 1, 1992 with offices in Ho Chi Minh City and Hanoi.

Malaysia is now the largest foreign investor in Vietnam among the Association of Southeast Asian Nations. Its investments in Vietnam in the first nine months of this year totalled \$66.3 million.

**Article Reviews Activities of Indovina Bank**  
*92SE0163A Hanoi VIETNAM FOREIGN TRADE*  
*in English No 27, Oct-Dec 91 pp 13-14*

[Excerpt] Indovina Bank Ltd. (IVB) was established on November 21, 1990 with investment License No. 135/GP issued by the State Committee for Cooperation and Investment, as a working cooperation between the Industrial and Commercial Bank of Vietnam (ICBV) and P.T. Bank Summa, a member of the Summa Group in Indonesia. It is so far the first and the only joint-venture commercial banking in Vietnam whose commercial operations started on January 21, 1991.

IVB is committed to playing an active role in the economic development of the Socialist Republic of Vietnam relative to the open-door policy of the country. As such IVB is offering the following range of services as its initial thrust of operations:

**Foreign Currency Accounts:** It operates full service currency accounts on behalf of its customers—foreign individuals, banks, Vietnamese economic entities and other economic organizations.

**Foreign Currency Loans:** The bank provides foreign currency loan facilities to customers relative to the country's economic development plan. As such IVB can actively support trade financing-related activities.

**Foreign Exchange:** It provides a range of foreign exchange services, in conformity with the regulations of the State Bank of Vietnam.

**Correspondent Banking:** IVB provides correspondent banking services, cooperating with foreign as well as local banks and international financial institutions.

**Business Cooperation Sponsorship:** IVB is authorized to enter into partnership or other forms of business cooperations, subject to the regulations of the Government of Vietnam.

**Target Market:**

For the past nine months in operation, IVB has been focusing its concentration on industries which are deemed to have high potential for growth and major players towards real economic development:

**Imports:**

- a. Fuel and Diesel Oil and Lubricants;
- b. Garments/Textile Manufacturing (value-added);
- c. Construction (steels/metals);
- d. Medical and pharmaceuticals;
- e. Agriculture.

**Exports:**

- a. Marine Products;
- b. Forest products;
- c. Agricultural products.

**Operations:**

Since the bank commenced its operations, it has been substantially active in its trade-financing activities. However, the limited experience of the bank and the inadequacy of the legal system in the country confined the loan transactions to a relatively low figure, short-term in nature. Long-term financing is selectively granted.

A review of the past performance revealed that the bank has been constrained with its limitations on local currency denominated transactions as imposed on its Joint-Venture Charter and Contract. However, with the promulgations of the regulations on branches of Foreign and Joint-Venture Banks in Vietnam, Decree No. 189/KDBT released by the Council of Ministers dated June 15, 1991, IVB plans to further expand its scope to include dong-denominated banking services such as deposits and loans. For IVB this is the only way that the bank can better service the funding requirements of the different sectors of the economy.

Credit application received came from different industries whose requirements valued from low of US\$20,000.00 to several million dollars. By purpose of credit, majority is to finance working capital which is understandable considering the foreign currency reserve of the country.

The bank is applying a strict credit evaluation standards and procedures to ensure quality loan portfolio and sound credit risk. As such IVB is maybe slowly moving up to the business circle but gradually earning a respect in the international banking community as a bank in its truest sense and definition.

As of June 1991, IVB has established relations with 25 banks in Australia, Canada, France, Germany, Hong Kong, Indonesia, Japan, South Korea, Malaysia, Netherlands, Philippines, Singapore, Switzerland, Taiwan and Thailand. [passage omitted]

**Foreign Investment Role, Obstacles Reviewed**

*922E0080A Ho Chi Minh City TUOI TRE CHU NHAT in Vietnamese 5 Jan 92 p 3*

[Interview with Lu Minh Chau, vice chairman, State Investment Cooperation Commission, by Huy Duc; place and date not given: "Last 4 Years—Foreign Investment Plays A Considerable Role in Vietnamese Economy"]

[Text] In the last four years, since the promulgation of the Foreign Investment Law (December 1987), the state has granted permits to 342 projects totaling U.S. \$2.5 billion. TUOI TRE CHU NHAT's reporter has conducted an interview with Vice Chairman Lu Minh Chau of the State Investment Cooperation Commission on this issue, which is and will be drawing much commission on this issue, which has been drawing a lot of attention.

[Huy Duc] How do you assess the implementation of the Foreign Investment Law in Vietnam in the last four years?

[Lu Minh Chau] We are aware of the fact that direct foreign investment in Vietnam is very important and contributes to overcoming our difficulties in getting capital for economic development and resolving our social problems. In the last four years, the commission has granted permits to 342 investment projects in such fields as exploration and extraction of oil and gas, communications development, export goods production, hotel construction, tourist enterprise, and so on, with companies from 34 countries in the world investing a total capital of 2.5 billion dollars.

At the conferences to review the investment situation recently convened in three areas—Hanoi, Nha Trang, and Hau Giang—we recognized the fact that the results obtained, compared to our need, were far from satisfactory. However, in an economic situation that encountered as many difficulties as it did in the last four years, the existence of 342 foreign investment projects in Vietnam has played a considerable role.

[Huy Duc] Is it true that Vietnam's Investment Law draws more and more attention and lately has gained greater attracting power?

[Lu Minh Chau] The investment projects in the last four years were concentrated on the following fields: industry, 28.5 percent (724 million dollars); oil and gas, 23.1 percent (588 million dollars); fisheries, 7.1 percent (189.8 million dollars); agriculture and forestry, 8.2 percent (207.2 million dollars); hotel and services, 27 percent (681 million dollars); communications and postal service, 6.2 percent (258 million dollars). Total capital investment went up from 360 million dollars in 1988 to 510 million in 1989, 590 million in 1990, and 1.1 billion in 1991, and only through November, or nearly equal to the total of both 1989 and 1990.

We must admit the fact that in the first years, Vietnam, and our commission as well, did not have much experience in appealing for investment, and that on the part of foreign countries, their attitude still was exploratory. But as time wore on, on the one hand more documents drafted on the basis of the Investment Law were issued to help carry it out more effectively, and on the other, our renovation, mostly our ability to maintain political stability, a matter that investors were concerned about, seemed to have created more confidence in foreign countries. Therefore, not only did the number of projects increase but the value of individual projects also greatly increased as compared to that of previous projects. Previous projects mostly were in the range of 10 million dollars, but recently we have had many investment projects valued at over 100 million dollars. Large-scale projects also are not limited in the oil and gas sector, but some major foreign companies are drawing up feasibility arguments for investment in a 5 million ton-per-year oil refinery and a 10 million ton-per-year iron ore-extracting enterprise; and projects are being prepared for the construction of cement and electric power plants, manufacturing and production centers, and industrial complexes in Ho Chi Minh City. More specifically, after a solution has been found for the Cambodian issue and after Council of Ministers Chairman Vo Van

Kiet has made a successful trip to three ASEAN countries, the number of investors coming to Vietnam has been increasing tremendously.

[Huy Duc] According to data that you yourself set forth at the recent meeting of the National Assembly, permits have been granted to about one-third of investment projects, but there still exist difficulties in the case of some of these projects which make them unachievable. Can you tell us more about the reasons behind this situation?

[Lu Minh Chau] That is true. Of the projects that have been granted permits about one-third has started production, with good results; one-third currently is in the drafting stage; and one-third really is encountering difficulties, which make it impossible for them to be carried out and may lead to revoking their permits. The main reasons are the following: On our side, because we lack investment experience, do not have the necessary parameters, and fail to calculate the changing factors of the value of Vietnamese currency compared to foreign currencies, upon completion of the projects we begin to find losses resulting from the old parameters becoming outdated; in regard to foreign investment, we must say that some people do not really want to do serious business and some others only want to serve as intermediaries in signing contracts with us and then to try to give the latter to "third parties" while reaping some profits.

Eventually we will be able to avoid such shortcomings, and on the part of foreign investors, they have begun to come to Vietnam with an intention to do business more seriously.

[Huy Duc] What are the problems that exist on our side and have failed to make investors feel satisfied when they come to do business in Vietnam?

[Lu Minh Chau] Foreign investors openly tell us that political differences do not scare them and that Vietnam's laws will gradually become more comprehensive. What they worry about the most is the fact that our policies change frequently and that changes are not retroactive. More specifically, they say that the efforts to disseminate our laws and related documents among Vietnamese investors and to make the Vietnamese sectors concerned understand and implement them in a unified manner are not yet effective enough. Investors continue to complain that the sectors and localities, which they have contacted in regard to just one issue for instance, would not interpret things in a unified manner.

The procedures required for consideration and approval of investment still go through many levels and are very cumbersome because they follow the same central pattern. About export-import procedures and security measures, which are necessary, the way we carry them out sometimes makes foreign investors feel bad.

[Huy Duc] What has your commission done to gradually improve the work pattern that has caused much inconvenience as it exists now?

[Lu Minh Chau] We have had work sessions with the sectors concerned, such as the customs office and Ministry

of Interior, and as a result the situation has become better lately. At the conference to review the investment issue recently held in three areas of Hanoi, Nha Trang, and Hau Giang, we devoted two full days to hearing investors, both domestic and foreign, mention difficulties and unresolved problems, which we either resolved right away or referred to other organs. This would need more time, but we believe that efforts on our part to overcome the remaining difficulties would be extremely necessary.

[Huy Duc] What is the opinion of your commission on the investment capabilities and direction for your operations in the near future?

[Lu Minh Chau] The situation in the near future offers favorable things for both sides. The international environment has been opened; the effects of the U.S.-imposed trade embargo have gradually decreased. In our country, the economic and political renovation is bearing fruit; the investment environment is being improved everyday.

On the part of the commission, in the near future we will be more active in introducing capital investment projects to foreign countries by organizing seminars at home and abroad to introduce them. In our opinion, this is a necessary step aimed at more effectively attracting investment from foreign countries and contributing to carrying out our plans for socioeconomic development in 1992 and the coming years.

**State Price Commission Chairman on Inflation**  
*92SE0163E Hanoi VIETNAM WEEKLY in English*  
*11 Dec 91 pp 13, 14*

[Interview with Prof. Dr. Phan Van Tiem, member of the party Central Committee, chairman of the State Price Commission, by QUAN DOI NHAN DAN; place and date not given]

[Text] Question: Mr. Chairman, is it true that a country with a strong economy is free from inflation?

Answer: In the past we put forth the slogan "Keep consumer prices lower and lower." This has proved to be impractical, smacking of wishful thinking in any market economy, price hike of commodities is the general trend while stability and reduction of prices are only occasional and for short periods. In other words, inflation is a universal concomitant of a commodity economy. An Indian economist once theorized that in a developing country an acceptable 5 percent inflation rate may be a positive factor for economic development.

Question: If I remember well the economy of our country fell into serious crisis in 1986 due to a galloping inflation?

Answer: Yes, on those days we used to hear the man in the street talking about "tael" and "chi" of gold because the bank note then was like a "live coal on the hand" and nobody wanted to keep it. 1986 in fact saw the highest inflation rate ever in our country, up to 700 percent, the tragic outgrowth of the preceding general readjustment of the price, wage, and monetary system.

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Question: Yet, within only three years we succeeded in bringing inflation under control?

Answer: The State applied a series of important measures to combat inflation. In particular, in 1989 we adopted very drastic policies aimed at abolishing bureaucracy and subsidization such as forbidding hindrances to the flow of goods, raising the interest rates of savings, and reducing the issue of paper money. Another contributing factor, though indirect, is the enforcement of the quota-based contract system in agriculture in 1988 which enabled us within only one or two years to become the third biggest exporter of rice in the world.

Inflation rate dropped from 700 percent in 1986 to 400 percent in 1987, a little more than 300 percent in 1988 and a mere 33 percent in 1989. Although 33 percent is still way above the "acceptable level" in any developing country, it represents a major success on our part.

In fact, you might easily remember that life in 1989 was much better than in the few previous years.

Question: As it is, the situation has deteriorated, especially since mid-1991, with the spiralling of the price of gold and the US dollar. Why?

Answer: Generally speaking, in 1990 and 1991 performances have been poor in the anti-inflation fight, and the rate has picked up to 60-70 percent, i.e., more than 4 percent monthly or nearly double the 1989 level. The reasons? Well, firstly, it was due to our difficulties in external trade. The agreements with the Soviet Union and some Eastern European countries failed to materialize due to the complex politico-economic developments in those countries. The Soviet Union used to be our biggest trade partner, supplying to Vietnam about two billion dollars worth of materials, equipment and commodities annually through concessionary trade terms, and credits. But in 1990 this source dried out almost to zero. In 1991 we did sign with the Soviet Union a bilateral trade agreement worth half a billion US dollars on each side but so far nothing has been exchanged. Thus we had to switch to other countries to get the essential goods for the economy such as oil, fertilizer, insecticide, steel... This year we hope to export 1.3 billion US dollars worth of goods which is nearly enough to balance imports. However, it should be noted that the value of the concessionary ruble has dropped by one third and even one half when converted into US dollars, which is the reason why the prices of almost all essential materials and equipment have shot up. In addition, the Gulf war has sent the price of fuel rocketting in the latter half of 1990.

The reasons inside the country for inflation are many. Firstly, it was the loss of around one million tonnes of paddy in the winter-spring rice crop. Many newly decreed regulations on financial and monetary management have yet to be carried out while the remnants of the bureaucratic mechanism based on State subsidies are still alive in many areas, more particularly in capital management. Many branches and factories continue to operate at a loss. To top it all, losses in tax revenues through tax evasion are too big,

30-40 percent each year, to say nothing of the damage caused by growing cross-border smuggling.

At present, the inflation rate stands around 60-70 percent, double the 1989 level, though way below the 1986 level. The government is taking a series of urgent as well as long-term measures to curb inflation. In any case, the main "impact points" must be commodity production and monetary management. Since the best we could hope for in the matter of commodity production is a 10-percent annual increase, the second impact point, viz monetary management, is crucial. In the end, the fight against inflation still requires the same measures which are as customary as they are difficult, such as to curb losses in tax revenues, corruption, smuggling, etc. Besides, the financial service and the bank have to constantly renovate the way of managing the currency and the budget. We have set the target of bringing the inflation rate in 1992 down to only half the level of 1990-1991, i.e., 30 percent per year annually.

That is a tall order but we could make it provided we have the necessary will.

#### Article Reviews 1991 Export-Import Policy

922E0083A Hanoi NHAN DAN in Vietnamese

21 Dec 91 pp 1, 4

[Article by Hong Khanh: "Results of Exports and the Products Policy in 1991"]

[Text] The 1991 plan estimated that exports would amount to 1.8 billion US dollars [USD]. That figure is within our reach. It is estimated that by the final day of the year we may attain nearly 1.9 billion. In comparison to the country's potential and needs, those results are not great. But under the circumstances of our country being heavily affected by natural disasters and the Soviet Union and East Europe markets being cut off and diminished, resulting in many contracts to buy our goods not being implemented, the result of annual exports surpassing the plan and increasing by about 10 percent over 1990 was an encouraging accomplishment.

Which factor is decisive? Ordinarily, in order to export certain conditions must be met: capital, an organizational apparatus, and markets. In 1991, capital and markets were two rather "tense" problems. Capital was already scarce and during the last months of the year dollar and gold prices increased rapidly. Many exporting-importing enterprises had to react quickly. If they dragged their feet they would suffer deficits during the following cycle. Regarding the market, the traditional export-import market, which had been stable for a long time, was reduced by more than 80 percent. The newly opened market sector is not large and, by and large, we are still in the process of familiarization and exploration. According to our inquiries and the actual situation, the 1991 export results were attained primarily because we changed markets in a timely manner and renovated policies and the management of export activities. The clearest manifestation was that at the end of the first quarter in 1991, after assessing and analyzing the changes in the world market the Council of Ministers, in

order to promptly make up for the major shortfall of the traditional markets, issued Decision 96 on stimulating the production of export goods and managing export-import activities and the products policy. In addition to the list of goods the exportation of which is prohibited, or temporarily suspended, only four products are managed by quotas: rice, rubber, coffee, and timber and lumber obtained from natural forests. As for the other products, their maximum exportation is encouraged. The chairman of the Council of Ministers only assigns norms for exports and imports of decisive importance in ensuring the balances of the national economy and the products covered by government agreements regarding the delivery of goods and the payment of foreign debts.

The new policy is more open and has gradually bolstered potential regarding natural resources, capital, intelligence, labor, etc. One may compare figures to show progress: In the middle of the first quarter in 1991, in the entire country there were only about 300 units directly importing and exporting, but by the middle of the fourth quarter that total had risen to 486 units, 458 of which were state-operated, 26 of which were collective units, and six of which were private. The export-import units of the ministries (138) accounted for more than 60 percent of the total of nearly 1.9 billion USD. Among them, the oil-gas export-import corporation accounted for nearly half of that 60 percent. The export-import units of the provinces and municipalities (245) accounted for nearly 40 percent. Among them, the units that have long been regarded as the leading local units, such as the federated corporations or federations of export-import corporations, accounted for 40 percent or less. The rest included many units that were only recently established. In Ho Chi Minh City, the exports of the 22 export units at the precinct and district levels accounted for 30 percent of the city's exports. That signifies an advance in reorienting the market and the product policy and the improvement of the export-import activities management mechanism. Therefore, in 1991 the income plan was fulfilled and for the first time the nation balanced exports and imports.

That does not mean that there are no more problems in the export-import management mechanism and policy that must be debated, or things that must be amended or supplemented. An evident irrationality is the distribution of quotas for each export product to the miniseries, provinces, and municipalities, after which the leadership at those echelons farm them out to the economic units under their control that are authorized to export and import. Thus the method of distributing quotas has the deficiency that the echelons are administrative middlemen, which increases red tape and complications for the businesses exporting and importing, and has given rise to units having quotas but not having capital to buy goods or customers for their exports, while those with capital and customers have no quotas or very small quotas. That has created many opportunities for buying and selling quotas, which has given rise to negativism.

The number of export agencies is also too great. In 1991 there were 45 agencies, of which only 23 exported more

than 500 tons. There were more than 30 agencies exporting rubber, 15 of which exported more than 500 tons. Regarding a number of other products, many export agencies exported less than 500,000 USD worth during the entire year. The situation was similar with regard to the importing agencies. For example, 28 units imported electronic components. In doing business with foreign countries there are too many agencies, which could easily result in competition in buying and selling, and arbitrary grading and pricing of goods, which would do more harm than good and make the management of foreign exchange more difficult.

Every nation in the world publishes lists of goods the exporting and importing of which is prohibited or restricted. They are restricted because of production capabilities or to protect domestic production, or because of commitments of the government to foreign governments, because of the policy of economizing in consumption in the nation, etc. With the "open" policy and the present new mechanism, next year should we, regarding the goods whose exportation are restricted, i.e., the goods that are managed by quotas, openly inform the sectors and localities after the state approves them? The state should designate some of the agencies to find markets for and export those restricted goods. The remaining agencies should become "export goods supplying" units or work jointly with the designated agencies. That will limit the situation of many agencies locating markets and selling the same products abroad. By means of management regulations and foreign trade rules, the volume of exports of the restricted goods will be made public every month and the totals will gradually be reduced until the allowable quotas are fulfilled. That will limit the situation of "running after" quotas, because they will know the volume of goods that has been exported and whether the remaining volume is large or small. Perhaps the state should try out putting out for bidding quotas to export those restricted goods.

With regard to the goods outside the prohibited and restricted categories, which may be exported in unlimited quantities, perhaps it is not necessary to register and approve plans in advance, without distinguishing according to origin (whether they are produced or purchased by middlemen), without distinguishing between types (commercial or production), and without distinguishing among management echelons and economic components. We should only apply the following procedure: only after making a sale by means of a fair, legal foreign trade contract, and after the customer presents a letter of credit, should all legal documents for the shipment be presented to the nearest organ issuing export permits, so that paperwork can be done for issuing the permit. That will speed things up and greatly reduce troublesome red tape and travel, and it will be easy to know with certainty the results of exporting every month and every quarter. And that will also be the basis for monitoring and managing the foreign exchange that is earned so that it can be used more efficiently, for the goal of exporting is to import materials and raw materials essential for production and life in our country.

**Titanium Deposit Exploitation Viewed**

*92SE0163D Hanoi VIETNAM WEEKLY  
in English 2 Dec 91 p 7*

[Article by Xuan Tien: "Titanium Sediments: Untapped Potentials"]

[Excerpt] [passage omitted] Scatteredly from Quang Ninh to Thuan Hai there are dozens of places where titanium can be tapped with an estimated deposit of 7-8 million tonnes of which the biggest being the De Gi mine in Binh Dinh (about 1.5 million tonnes) and the Ky Anh mine in Nghe Tinh (some 1.08 million tonnes). At present, most of these mines are run by the local authorities, from investment management to exploitation. A union for titanium production has been founded.

In Binh Dinh which has the biggest titanium deposit estimated at 2.7 million tonnes, the local authorities contemplated a scheme for titanium exploitation long ago but the work has been started for some years only. Besides the small enterprise for titanium mining with a designed capacity of 2,000 tonnes year in Quy Nhon, another factory with an investment of dong 700 million has just been commissioned at the biggest mine in De Gi, some 15 years after the liberation of South Vietnam.

To date, Binh Dinh has exported 7,200 tonnes of ilmenite and 400 tonnes of derivative rare metals. The main problem, however, is marketing. Sold as commercial goods for almost a century now, the price of titanium remains stable. Japan, Australia, Canada, Thailand, India and many other countries have big demands for titanium but only in the form of crude ore. Direct sale of ilmenite with a proportion of more than 50 percent to the Japanese

NICSSOAI company at the port can fetch only \$45/tonne. However, through the Australian AGVESSOV corporation acting as an intermediary sales agent, the price can be raised to \$70/tonne.

The sale of \$45/tonne is profitable but obviously it looks like a poor man selling his own blood. If ilmenite is processed into white titanium or if zirconium can be extracted from it, then the value of the finished product can be multiplied to several hundred or even a thousand times.

For the time being, Vietnam has to spend parts of its hard-earned foreign currencies on importing expensive enamel additives for the production of porcelainware or high-grade anti-corrosion paints, yet those materials are potentially available on the coast of central Vietnam in the form of "a princess sleeping in the jungle." In Southeast Asia, some "princes," who have got big capital like Singapore, have just set up titanium processing factories, so as to make the best use of the big potentials of their countries.

The opening of titanium mines has enabled a number of localities to provide jobs for thousands of people, upgrade their roads and promote cultural activities. With an investment of dong 10 billion, a factory with an annual capacity of 20,000 tonnes will be built giving to 1,000 people. This is a surely profitable investment. It will take several hundred years to exhaust the Di Gi mine and its satellites.

It is advisable that the time is right for the study of a project on the construction of a high-grade metallurgical factory for the whole of central Vietnam. Investment capital for the project will certainly come not only from a province but also from the central government with the participation of different economic sectors in the form of a joint-stock company.

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